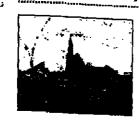
FINANCIAI TIME

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World Business Newspaper http://www.FT.com



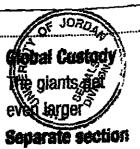
FT Weekend tomorrow Faith, hope and parity: an agenda for Northern Ireland



Data protection **New EU directive could** stifle global exchanges



Euro zone ECB squares up to finance ministers Page 2



WORLD NEWS

Gibraltar offers Spain joint use of colony's airport

Gibraltar's chief minister Peter Caruana offered Spain the shared use of the British colony's airport n a concession which could ease the long-running dispute with the Spanish government. Page 2; Editorial Comment, Page 13

Heavy fighting in Kosovo Heavy fighting was reported in Serbia's Kosovo province after the latest failure by international envoys to arrange a ceaseline between government forces and ethnic Albanian separatists. Page 3

Red Cross seeks legal protection The Canadian Red Cross Society is to seek bankruptcy protection against claims of more than C\$5bn lawsuits filed by 22,000 Canadians infected with tainted blood in the 1980s. Page 6

tand for rice expected to soar South Asia will experience its strongest demand for rice and other cereals over the next two decades, the International Rice search Institute said. Page 4

Action call on ozone layer Environment officials meeting in Geneva called for tougher action to protect the ozone layer, including use of controls on the trade in banned substances. Page 14

Six die in Turkish blast An explosion believed to have been caused by a gas leak ripped through Istanbul's crowded spice market, killing six people and wounding scores more. Turkish police said the blast toppled part of the monumental gateway to the femous Egyptian Bazaar.

Red Sea oil dispute heard An arbitration tribunal in London began hearing arguments in a dispute between Eritrea and Yemen over ownership of the Hanish islands, a potentially oil-rich area in the Red Sea. Page 7

Nigeria toll rises to 45 Fresh violence erupted in Lacos. Nigeria's largest city, over the death in detention of opposition leader Moshood Ablola. Newspapers said up to 45 people had died in two days of unrest. Page 7

The US Congress, with overwhelm ing majorities in both houses. passed legislation that offers US taxpayers more protection against the Internal Revenue Service and shifts the burden of proof from the taxpover to the IRS in many cases.

Forest fires ravage Sardinia Italian firefighters worked to put out blazes that have destroyed huge areas of forest on the island of Sardinia and in parts of souther: Italy. Some 600 hundred tourists were evacuated from a Sardinian resort near Cagliari.

Arrest request on Bouterse Dutch officials asked authorities in Trimidad and Tobago to arrest and extradite Sunnam's former dictator Desi Bouterse, who is reportedly visiting the islands.

Jacanese make fewer trips abroad The number of Japanese travelling abroad this summer fell to its low est level in 18 years, down from 3.2m to 3.1m. Page 4

Berbers protest Arabic law Thousands of demonstrators marched through Algiers to protest at legislation imposing Arabic as Algeria's sole official language. Many marchers were Berbers, who make up 30 per cent of the population and who want official status for their native language. Page 7

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FI

US Langhtjere RATES

BUSINESS NEWS

Crédit Lyonnais sells to Dresdner and Anglo-Irish

Crédit Lyonnais, the French bank, announced a trimming of its inter-national operations with the sale of its Austrian subsidiary to the Anglo-Irish Bank and its activities in Denmark and Sweden to Dresdner Bank of Germany. Page 16

Quebecor Printing, North America's second largest commercial printer, precipitated a cross-border takeover battle in Scandinavia by launching a SKr1.77bn (\$219m) white knight bid for Sweden print-ers Tryckinvest i Norden. Page 16

Moody's Investors Service, the US credit rating agency, says Japanese banks and foreign financial groups will be the main beneficia ries of radical changes taking place in Japan's growing market for nutual funds. Page 15

Wolford, the Austrian hosiery manufacturer, saw its shares tall by Sch-14.2 to Sch785 after disclosing a steep reduction in pre-tax profits to Sch173m (S107m) in the year to April 30 from Sch280m, Page 15

Asia's currency markets could be destabilised if China is denied the right to continue normal trading with the US, senior White House officials warned. Page 14

Heller, the German machine tool manufacturer, is considering further expansion at its UK plant to boost output of a device made in Britain mainly for export. Page 8

General Electric, the world's most valuable company with a stock market value above \$300bn, reported a 13 per cent increase in after-tax income for the latest quarter. Page 15

Malaysia's copper demand shrank about 60 per cent in the first half of 1998 compared with a year ear lier. Malaysia imported 160,000 tonnes of raw copper cathodes in 1997. Commodities, Page 24

Japanese companies have shown increased interest in the inchestrialised West Midlands region of England over the past year, according to the area's development agency. Page 8

company, has completed the first stage of its international strategy by taking a 50 per cent stake in France's Groupe ASP. Page 16

Banking m Russia has been shaken by two high-profile bankruptcies, boding ill for a sector already jittery about a possible devaluation of the rouble. Page 16

Most US companies expect to have finished upgrading computer systems to deal with the "millennium bug" by the end of 1998. Page 6; Millennium bugs the

Mittelstand companies, Page 3 Dow Jones, the business information company, reported solid growth from its new, narrower range of publishing ventures during

the latest quarter. Page 15 Mobil and Monument Oil of the UK were due to sign Turkmenistan's biggest oil development deal today

in Ashgabad. Page 4 Creative Publishing of the UK announced a merger with Hallmark Cards of the US in a deal worth

World Equity Markets

£188m (\$310m), Page 15

WORLD MARKETS

(105.35) (109.16) (53736)

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The latest trends and data from more than 50 national markets at a glance

French bank chief hits at London link

Agreement between stock markets described as a 'bad blow for the euro'

to Frankfurt

By Robert Graham in Paris and Andrew Fisher in Frankfurt

French financial establishment yesterday attacked the way the Frankfurt and London stock markets concluded their ground-breaking agreement to form a single European platform to trade equities

Michel Freyche, the head of the French bankers' association. described the deal unveiled on Tuesday as "a bad blow for the euro" and an "unfortunate precedent". He claimed it was an abuse of Frankfurt's position as the centre of the eurozone through its choice as the site of the European Central Bank.

His comments underscore the sense of hurt in Paris at being cut out of a key development in the concentration of European financial markets. The first step in the Frankfurt-London alliance envisages setting up a common access package to allow the top 300 EU companies to be traded on either exchange. "The choice of Frankfurt as the

seat of the ECB on German insistence confers de facto a competitive advantage on this financial centre, but equally imposes a number of duties and obligations to respect the rules," Mr Freyche "If the capital of the euro is not

scrupulous in observing its

duties of transparency and EU

ecumenism we have every right to feel we have been cheated." Of the agreement itself, he clandestine nature of the negotia- involved."

In Parls there is anger over Lex, Page 14

embrace London after the French bourse had been in talks with the Germans on a series of linkages. The French finance ministry is understood to have had no more than 36 hours warning of the agreement. But yesterday the ministry sought to play down the impression that Paris had lost out. "This has been a good publicity coup for Frankfurt and London but we must look care-

fully if there is real content,"

said one official. Officials pointed to recent legislation giving Paris the necessary instruments to be a fully competitive financial marketplace. They also said the Frankfurt-London agreement should not necessarily override existing co-operation projects under dis-cussion with Frankfurt, including talks between Matif, the French derivatives market, and its German counterpart, Deutsche Terminborse.

Werner Seifert, chief executive of the Frankfurt exchange, which includes the DTB, yesterday tried to calm tempers, saying: "The alliance between London and Frankfurt will go forward. But parallel to this, other exchanges will be kept informed. We will share the results of our research with them. Then we shall see if we share the same beliefs."

The DTB chairman stressed there was a critical minimum. sizes for the European market. "London can't go it alone, Frankfurt certainly cannot and nor can about the accord and one of the London and Frankfurt. So we

main reproaches we have is the will try to get other bourses **DuPont slips 8%** on warning of big

fall in earnings By Tracy Corrigan in New York

DuPont, the US chemicals group. after a slide in June revenues, yesterday warned investors it lower demand in the textile was expecting a substantial fall apparel industry. in second quarter earnings. It blamed factors including the weather, the Asian crisis and the General Motors strike.

The announcement contributed in the US stock market, with the Dow Jones Industrial Average dropping 75 points in early tradity at Sanford C Bernstein, the Dow Jones Industrial Average ing. DuPont's shares dropped nearly 8.5 per cent to \$7011 in morning trading.

Second quarter earnings, due to be published on July 22, were likely to fall 10-15 per cent below the \$0.99 per share reported for the same period a year ago, the company said.

Charles Holliday, president and chief executive officer of DuPont, described as "totally unacceptable" the company's disappointing second quarter performance and the management's failure to see the slide coming sooner.

April and May was "about as sector are mounting as a result of expected" but in June the com- expansion by a number of compapany experienced a "significant nies including Zeneca, Norvartis drop" in revenues. "Unless we see an improvement in energy prices, we are unlikely to meet our objective of a fifth consecu- Conoco, its oil business, through tive year of record earnings." At a press conference, he said half of the fall was due to the

nation of factors, including lower demand for automotive parts as a result of the General Motors strike, the lower oil price and apparel industry, DuPont's projected fall in earn-

ings comes as a blow for the recently appointed Mr Holliday. and for investors, who had been enthusiastic about the company's to generally negative sentiment shift away from basic chemicals

US brokerage, is still convinced DuPont's underlying strategy is sound. "The strategy is absolutely right, but the market had got euphoric and the stock was being overvalued." DuPont's crop protection busi-

ness in North America was hurt by the weather and by competitive price pressures. Farmers in the Midwest skipped some crop sprayings because of persistent rain, Mr Holliday said, adding that competitive pricing pres-However, some analysts see it

He said the performance in as a sign that pressures in the

Mr Holliday said the company remained committed to selling an initial public offering, despite weakness of the oil price.

"sudden shift" in its crop protec-tion business and half to a combi-World stocks, Page 34

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Full contents and Lex; back page



MOSCOW SEEKS EXTRA FINANCIAL HELP AS MARKETS DETERIORATE

Russia requests up to \$20bn in overseas aid

By John Thomskill in Moscow

Russia is seeking additional international financial support of up to \$20bn - much more than originally sought - because of the deterioration in the country's had sufficient reserves to ward financial markets, a senior government official said yesterday.

The official was hopeful a deal could be announced as early as Sunday as long as the details could be finalised in talks with John Odling-Smee, chief Russia expert of the International Monetary Fund, who is expected to arrive in Moscow today.

The Russian government was seeking \$10bn from the IMF and Paris. Nor can London and Paris | tional funding from the World | ment were proceeding in a con-"If all this happens we can be made good progress but we still close to \$20bn from all sources of have some issues to resolve."

financing," he said. suggested the government was seeking a \$10bn-\$15bn financial

But the continuing fall in Rus-sia's financial markets has never need to use it," one west-

of a rouble devaluation. Moody's, the credit rating agency, this week estimated the government would need up to

\$20bn to convince the markets it off currency instability. The IMF, which has been stretched by the turmoil in Asia. has said its capacity to lend to Russia is limited and could not provide \$10bn to any one country

borrower's economic programme. Michael Carter, head of the World Bank office in Moscow, up to \$1.5bn from the Japanese said the complex talks between government, the official said. It the international financial instiwas also aiming to receive additutions and the Russian govern-pean Union's foreign affairs com-

Other participants in the talks Anatoly Chubais, Russia's chief thought the \$20hn target figure negotiator, had previously was optimistic. "The Russians big a war-chest as possible to bolster the central bank's reserves

reserves and increased the threat certainly more than I have been hearing.

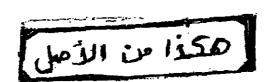
"The real issue is not so much how much money they get but how strong is the government's reform programme going to be. I hope that investors will focus more on this." he added.

Sergei Kirivenko, prime minister, will discuss hilateral assistance from Japan when he visits Tokyo this month, But the Russian government is hopeful it in the current environment. It could receive up to \$1.5bn over also said the size of its lending is the next two years. Additional determined by the strength of the support could be forthcoming from other members of the Group of Seven leading industrialised countries, anxious to avoid politi-

cal instability in Russia. Hans van den Broek, the Euromissioner, in Moscow yesterday, gramme and said EU member states would help with tax administration, public debt management, and technical support. Russian financial markets were understandably want to have as further unsettled yesterday by rumours, later denied, that President Boris Yeltsin had fallen ill.

sia's financial markets has never need to use it," one west- Foreigners won't escape, Page 2 drained the central bank's ern economist said. "But \$200n is Europone, Page 27





WORLDONEWS

Paris ends Rwanda genocide inquiry

By Robert Graham in Paris

A parliamentary inquiry into alleged French links with the genocide in Rwanda carried out by the Hutu regime in 1994 concluded its main up in early March in hearings yesterday, after a response to press reports

four month investigation. The commission's findings were not expected to be published until the autumn, and further evidence would be taken from US and United Nations officials in Washington and New York later this

Foreigners warned

they won't escape

Tax inspectors are stepping up efforts to

raise the number of audits after a shortfall

s he watched his invest- sia," Mr Fyodorov, a former

least nothing worse could the Russians ... but some-

from three tax inspectors. have audited twice as many

squeeze them to help plug office in the past month."

financial crisis since Presi- stressed that the level of

new tax knight who has ing for multi-ational

not picking on foreigners per trasted sharply with the

se. On the other hand, he more cavalier approach

has acknowledged that he some foreigners had towards

"I'm interested in foreign- of Russia's transition. Gün-

ers who are living in Rus- ter Spielmann from Ernst &

companies.

in revenues. Astrid Wendlandt reports

ments melt under the

That was before he ple."

Heat of Russia's finan-

cial crists, one European

fund manager drew comfort

from the thought that at

received a surprise visit

who politely announced that

his fund was due for an

Perhaps pushing his luck,

he persuaded them to come

back the next day, arguing

that his office had a serious

plumbing problem. Within

the following three hours, be

swiftly managed to move all

papers and computers to a

friend's office. Evidently, he

did not have a clear con-

Boris Fyodorov, head of

the Federal Tax Service.

knows about people like

him. He also intends to

the holes in the govern-

ment's budget which have

led to Russia's most severe

dent Boris Yeltsin's re-elec-

vowed to wage a merciless

dodge their taxes says he is

Russia's tax blitz

commission members would travel to the Great Lakes region of Africa to obtain more information.

The commission was set alleging that successive French governments had supplied military aid to the Hutu regime which continued even after the genocide agninst Tutsis began in the spring of 1994. This is the first time the

investment banker, said at a

Credit Suisse First Boston

conference two weeks ago. "I

hope that foreign residents

are more disciplined than

one has to show the exam-

foreign companies in the

past six months as they did

year. "We have intensified

our efforts," said a Moscow

muscular campaign has

spread rapidly among the

estimated 100,000 foreigners

living in Moscow. Consulting

firms said they have recently

received many calls from

worried expatriates, hungry

for advice on how to file

tcked foreigners come to our

said Scott Antel, a tax spe-

cialist at Arthur Andersen in

Moscow. However, he

compliance among foreign-

conscientious attitude con-

taxes during the early years

ers is usually very high, par-

"We have had a lot of pan-

Word of the tax officials'

tax service official.

Tax officials said they

National Assembly has has been established. The approved an inquiry of this principle has been accepted

Until now, close parliamentary scrutiny of French foreign and military policy conducted under the aegis of the president of the republic has been taboo. As a result, the operation of the commission and the pending conclusions have aroused intense

hearings began on March 3. These include 34 members of the military and 20 politi-The general tone of the cians, as well as academics questioning has been polite, and representatives of nonbut an important precedent governmental organisations.

to account.

that former ministers, gov-

ernment advisers, senior

civil servants and members

of the military and the intel-

ligence service can be called

listened to 88 witnesses since

In all, the commission has

By agreement with the government, civil servants testified in closed session. But former ministers, including ex-prime ministers Edouard Balladur and Alain Juppé, gave evidence in open hearings, apparently on prior undertakings they could merely read statements and not be subjected

to an inquisition. The closest questioning was that of Jean-Christophe Mitterrand, son of the late president, who had a hand in

unchallenged, and it remained to be seen whether

the commission can paint a convincing picture of French policy towards Rwanda, avoiding suggestions of a whitewash. The bulk of the evidence in the public domain has served to justify French support for the Hutu regime without compromising Paris in the horrors of the genocide.

Gibraltar offers **Spain** use of airport

By Tom Burns in Madrid

Peter Carnana. Gibraltar's chief minister, has offered Spain the shared use of the British colony's airport in a concession which could ease the long-running dispute with the Spanish government. The offer to the Madrid government came ahead of talks with Abel Matutes.

Spain's foreign minister. During a private visit to Madrid, Mr Caruana said be vas prepared to agree or joint management of the airport and also to waive immi gration controls on incoming passengers who directly enter Spain. "I want three Iberia [Spanish airline] flights a day landing at Gib-raltar and I would be delighted if there were six."

In London, a British foreign office spokeswoman said the department had not been consulted on the proposal. She added: "We can accept any arrangements regarding the use of the airport that are acceptable to

Mr Matutes issued an invitation for bilateral talks in Gibraltar's leader said he was waiting for a date to be fixed. The bid for direct dialogue marked a change in Spain's long-standing policy of discussing the vexed Gibraltar problem solely with the UK and Mr Caruana said he expected the talks to be "civilised, friendly and con-

structive". Mr Caruana's offer uggested that Gibraltar is feeling the strain of isolation. The colony handled only a limited number of flights arriving from the UK, and Spain maintained a ban on military aircraft using its airspace when flying to and from Gibraltar.

Mr Caruana criticised an agreement last week between the UK and Spain that allowed Gibraltar to be used as a communications centre during Nato exer cises. The agreement fell far short of initial UK demands that Spain lift its restrictions in order to obtain a sub-regional command in the area

"We paid a minimum price to let Spain into [Nato's] command structure.' Mr Caruana's airport offer appeared to be a reversal of previous Gibraltar policy over the landing strip which was built during the second world war on a narrow isthmus, linking the Rock to

Spain, that Madrid regarded as neutral territory usurped by Britain. In 1987 Gibraltar's 15-mem-

ber legislature blocked a deal on the dual use of the RAF-run airport that had been agreed by London and Madrid. However, a senior Spanish official said yesterday it was not clear whether Mr Caruana was proposing to lift Gibraltar's veto or to seek a new arrangement. "We reached an agree 11 years ago and all Gibraltar has to do is to implement it," the official said. "There is no cause to renegotiate it

and it would be quite surreal to do so." The 1987 deal, which envisaged a Spanish terminal on the situation of having to the Spanish side of the frontier, was unanimously rejected by the Rock's House of Assembly because it gave Spain a significant foothold on the isthmus. Mr Caruana stressed he was proposing

The ECB has been relajoint use of the airport and not shared sovereignty in the isthmus area. The 1987 agreement fol-

lowed a Spanish threat to block a European Commisston directive on air transport deregulation because of the dispute over the colony's airport.

Editorial Comment, Page 13

NEWS DIGEST

HOLOCAUST VICTIMS

Sweden says it may have received Jewish gold

Sweden admitted for the first time yesterday that it had acquired gold from Nazi Germany which might have been stolen from Holocaust victims.

An independent commission, appointed by the government to probe wartime dealings with Hitler's Germany, strongly criticised the Riksbank, the central bank, for accepting gold which it linew might contain assets confiscated from Jews.
The commission said the Riksbank governor in 1944 had

knowledge that a shipment of 1.5 tonnes of gold from the German Reichsbank could have included looted material, it noted that the then government had full insight into the Riks

"With today's eyes it can be said that the moral aspects should have been weighed openly, broadly and seriously... Sadly their does not seem to have happened," said Rolf Wirten, the commission's head. Greg Michor, Stockholm

EUROPEAN UNION LAW

Belgium faces fine over votes

The Belgian government called an urgent meeting yesterday to discuss its response to a European Court of Justice ruling that would force it to change its constitution to allow residents from other EU countries to vote in local elections.

Belgium could face sizeable fines if it does not adopt a 1994 European Union directive as national law within the next few months, it is the only EU country not to have done so before the original January 1996 deadline, and was found guilty by the Luxembourg-based court yesterday of "falling in

Under EU law, it could be fined up to BFr7.5m (\$200,000) a day after a given deadline.

The issue was particularly sensitive for multilingual Belgium, which had a high proportion of non-Belgian residents in certain areas, particularly in Brussels. Dutch-speaking political parties are concerned that, since foreigners were more likely to speak French than Dutch, their participation in elections to the communes, or local authorities, could distort the results. Neil Buckley, Brussels

POLISH RESTRUCTURING

Coal miners threaten strike

A dozen Polish coal mining trade unions threatened vesterday to strike over the government's programme to overhaul the industry, which involved cuts in jobs and production.

"The unions do not agree with dismissals, freezing wages of active miners, lowering production and ilquidating mines which still have resources," sald Jan Kisielinski, head of the Miners' Trade Union in Poland.

Twelve unions are protesting against the government's scheme, which provided for cutting 105,000 jobs in the sector to 138,400 in 2002, while lowering output to 112m tonnes a year from last year's 137m tonnes. The plan envisaged closing about 24 of Poland's more than 50 coal pits.

"The government approved the restructuring plan without proper consultations. We should sit down and discuss ... If not, trade unions have a rig

GREECE AND TURKEY

Internal EU report irks Athens

Greece said yesterday it would raise with Jacques Santer, the European Commission president, press reports that a senior Commission diplomat had accused the Athens government of undermining EU relations with Turkey.

Athens dailies reported that Michael Lake, who was the Commission's representative in Ankara until February, had written a 25-page internal report saying that Turkey was a vital European Union partner and that Greece was damaging future relations.

He was also reported to have said that the EU's membership talks with Cyprus were "unacceptable" while the Greek Cypriot government was considering the installation of Russian S-300 anti-aircraft missiles.

"Are we ready to place the interests of the Cypriots ahead of Turkey? Which of the two is more important for our long-term strategy and economic interests?" a Greek translation of Mr Lake's report quoted him as saying.

The Greek government spokesman, Dimitris Repoas, said over an EU member and was a disservice to the Union.

that, if true, Mr Lake's report promoted the interests of Turkey Reuters, Athens

EU UNEMPLOYMENT

Rate steady at 10.2%

Unemployment in the European Union held steady at 10.2 per cent in May, unchanged from the previous two months, according to figures released yesterday by the EU's statistics

The EU rate compared with 4.4 per cent in the US and 4.1 per cent in Japan. Eurostat's data showed 17.1m citizens were out of work across the 15-nation group. Year-on-year figures showed a slight decline in the unemployment level from 10.7 per cent in May 1997 and 10.9 per cent in May

Ha

dea

The jobless rate in the 11 countries adopting the euro as their common currency on January 1 was down to 11.2 per cent from 11.3 per cent in April, Luxembourg had the lowest rate at 2.2 per cent, Spain the highest with 18.8 per cent. Eurostat gave the following seasonally adjusted jobless rates for May 1998 with May 1997 rates in brackets: Luxembourg. 2.2 per cent (2.6); Austria, 4.5 (4.3); Portugal, 6.4 (6.6); Sweden, 8.9 (10.3); Belgium, 8.9 (9.3); Ireland, 9.2 (10.2); Germany, 9.8 (9.9); France, 11.9 (12.4); Finland, 12.7 (13.8);

May 1998 figures were unavailable for Greece, Italy and the Netherlands, Denmark and Britain, AP, Brussels

RUSSIAN STOCK MARKET

Worries over Yukos Ioan

Russia's Federal Securities Commission, the stock market regulator, is understood to have launched an investigation into a controversial \$800m loan taken out by the Yukos oil company and secured on the assets of its partly owned daughter company, Samaraneftegaz Minority Investors in Samaraneftegaz have complained that

Yukos did not have the right to collateralise its loan on the daughter company's assets because it did not own them outright. They feared that if Yukos were to default on the loan, the lenders, which include Goldman Sachs, Merrill Lynch and Crédit Lyonnais, would have prior claim on Samaraneftegaz's assets. Yukos could not be reached for comment last night. The securities commission had been fighting to entrench the concept of good corporate governance in Russia's wild markets. The issue had been brought to the fore after a series

of recent corporate scandals, which have tarnished the image of Russia's infant capital markets and contributed to sharp falls in equity prices this year. John Thornhill, Moscow

Rough deal follows hard currency deal; tax police arrest a group of car dealers in Moscov

Young in Moscow remem-

squirrel away their reve-"They [foreigners] would describe to you in public the way in which they avoided taxes," he said.

Those days are over, and the Russian tax web is increasingly tightening around would-be tax evaders. Soon, companies may lose one of their most reliable tax dodging channels, the Russia-Cyprus double

The government's brash ticularly among those work- for "the termination of agreements with internacompanies. tional off-shore zones", such Other analysts said such a as the one between Russia the Mediterranean island. Also, fooling Russian tax inspectors is becoming increasingly difficult as they become more professional

questions," said a Moscow-based western distributor of bered foreigners boasting about how easy it was to imported spirits, currently being audited by the tax inspectorate. According to audited companies, tax inspectors are polite and courteous but do not always warn about their visits.

and sometimes difficult

Yet foreign companies are more concerned by the high level of taxes than by the timing of audits. Reforms of the tax system are currently in the works in the Duma, the lower house of parliament, as part of the anti-crisis package presented last albeit marginally. arlier this month. Sergei week by the government, Kiryenko, Russia's but tax specialists said the prime minister. called chances of their prompt and

training, usually tax deduct-

One oft-cited grievance is

ing taxes from Russia's countless companies relying on barter is, certainly, a more challenging task. The current crackdown on foreign tax evaders could help tax collectors improve their aggregate performance,

tax rates rapidly sky-rocket

to unaffordable highs, explained Mr Spielmann.

Foreign companies suspect

they are a good source of

cash for the Russian taxman

because their accounts are

clearer and their assets more

liquid than those of most

issian companies. Collect

In 1997, the government

collected only 65 per cent of planned tax revenues. In Madrid two months ago and May, it was 30 per cent less than expected, according to the limited amount of costs Russian finance ministry figcompanies could use to ures. Yel one bright light in reduce their tax base. For that grim picture is that example, advertising and even if the IMF does not come up with the funds necible items in western coun- essary to fill the holes in the tries, are not recognised as Russian budget, wealthy forsuch by Russian law. As a eign companies and individ-

and sophisticated. "They ask very specific result, initially reasonable uals will surely help,

until autumn By Kevin Done,

sale delayed

The privatisation of Rom Telecom, the Romanian state-owned telephone operator, has been delayed until the autumn as a result of the political turbulence surrounding the recent change

of government.

The sale of a 35 per cent stake in the telecoms utility is the centrepiece of the country's slow-moving privatisation programme and was originally supposed to have been completed this month.

The new government which took office in April under Radu Vasile, prime minister, is struggling to pull Romania out of deep recession. It has committed itself to accelerating privati-

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the deal to the State Ownership Fund and the privatisation ministry from the com-In May the government

as well as by OTE, the Greek

30 for final offers. The SOF an obstacle in the privatisation process in Romania. "They have approached privatising Rom Telecom in the same way they privatise a bakery shop," said a foreign banker in Bucharest.

The Romanian government has been advised on the Rom Telecom privatisation by Goldman Sachs, the leading US investment bank, and it is thought unlikely that any new bidders will

sation and industrial restructuring and to attracting more foreign direct investment. However, the landmark privatisation of Rom Telecom, the biggest sell-off yet attempted by Romania, has been held up by conflicts within the bureaucracy and by the

munications ministry. announced that preliminary bids had been submitted by a consortium comprising Telecom Italia and KPN Telecom of the Netherlands, telecoms operator. It said that the winner would be selected this month after the submission of final binding

However, the State Ownership Fund intervened in the final stage of the deal this week by issuing a new tender notice seeking expressions of interest from other potential investors.

Letters of intent must be submitted by next Wednesday, and the agency has set a new deadline of September has been widely regarded as

emerge by next week. Financial analysts said the eventual sell-off is expected

to value Rom Telecom at

between \$3.5bn and \$4bn,

Rom Telecom | ECB squares up to finance ministers

By Wolfgang Münchau in Frankfurt

The European Central Bank. barely one month old, is already warming up for its first public confrontation. The new monetary authority sent a clear message to European governments this week that their fiscal poli-

cies were inappropriate. Wim Duisenberg, the ECB president, said that governments in the euro-zone must aim to run balanced budgets. Countries with particularly high levels of national debt should be running surpluses. He said he had shown finance ministers the "vellow card" ~ what soccer referees do as a final warning before a player is sent off. Mr Duisenberg's remarks

amounted to an unprecedented intervention in a domain which national governments have traditionally guarded with great jealousy. More important, they raise the issue of whether a highly centralised monetary policy can co-exist with decentral-

ised fiscal policy. Mr Duisenberg and his colleagues had no legal mechanism to enforce change in national budgets. But he has already warned that fiscal profligacy will have conse- the size of their economies. quences for monetary policy. This meant that the ECB fear that governments may, could set interest rates at a as they did in the late 1980s. higher level than would otherwise be necessary.

Europe's monetary estabextra tax income on struclishment has rallied around Mr Duisenberg. Yesterday, Hans Tietmeyer, president of Germany's Bundesbank, said the euro-zone could be in danger of running an inapreduce their structural budget deficits.

The European Commis-

The timing of these warn-The Dutch and the Germans have been drafting national budgets this week, and the French will follow soon.

Neither Mr Duisenberg nor Mr Tietmeyer pointed a finger at specific countries. But Mr Tietmever acknowledged that the problem was more urgent for countries with high levels of debt - Italy, Belgium and Ireland - and countries with relatively high short term interest rates - Italy and Ireland again, but also Spain and

Fiscal profligacy consequences for monetary policy

> Portugal. The clear implication was that Italy and Belgium should run large surpluses if they wanted to stand a chance of reducing their debt, about 120 per cent of Senior European officials squander the growth dividend, instead of devoting the

finances and social security They look enviously at the propriate fiscal-monetary get plan in 1993 laid the mix if EU countries failed to foundation for a period of sustained growth.

week when it published a nomic recovery. Such an eco-

zone budget deficits will call for a combination of rel-remain stuck at about 2 per atively tight fiscal policies cent of gross domestic prod- and neutral monetary policy. as long as there are no inflaings was not coincidental. cal policy that was too relaxed presented the monetary authority with a

> While the logic for tighter fiscal policies is compelling. there are some uncertain-

A French official criticised the Commission's forecasts of structural deficits. "They just pulled this figure out of a hat. They could have chosen any other figure," he

His criticism may seem exaggerated, but it contained an element of truth: European economic and monetary union is such a profound change that it may render time-honoured economic relationships obsolete. The first strange statistical

signals have already surfaced. The ECB announced this week that M1, a narrow measure of money, has grown at an annual rate of 10 per cent in April M3, a broader measure, went up by 6 per cent

Although M3 remained just - within the target, the figures are unusually high given the virtual absence of inflationary pressures. The ECB already found itself in "explain away" the importance of monetary data even before it will formally adopt tural reforms of public monetary targeting as its main policy tool.

tively lucky so far: economic US, where President Bill convergence among EU Clinton's deficit-cutting bud- countries has proceeded well. Inflation is virtually absent, economic growth is picking up and unemploy. The ECB's governing ment is at last beginning to council thought that Europe fall. But luck can eventually sion, the BU's executive, stood at the beginning of a run out - in central banking gave a similar warning this strong and broad-based eco- as in soccer.

forecast showing that euro- nomic environment would Editorial comment, Page 13

Casualties mount as Kosovo conflict starts to spread

Heavy fighting was reported yesterday in Serbia's southern province of Kosovo after the latest failure by international envoys to arrange a ceasefire between government forces and ethnic Albanian separatists.

Kosovo Albanian officials said the Yugoslav army and rebels of the Kosovo Liberation Army (KLA) had suffered serious casualties in several days of clashes near Morina, a mountain village close to the border with Albania. An army spokesman refused to give details. saying relatives of the dead would be informed first. Much of the army is made up of young conscripts with little training. Their involvement in the spreading conflict has drawn protests by angry parents in cities across the two Yugoslav republics of Serbia and Mon-

Local journalists said that for the first time the Yugoslav army and KLA rebels in trenches and bunkers were battling it out from fixed front-line positions. Albania is the main source for the KLA of weapons and new recruits drawn from the large Albanian diaspora in Europe. Fighting also erupted this week 4km from the western town of Pec tants, armed with heavy



The interior ministry said 31 policemen had been confirmed killed since violence flared early this year. Some 300 ethnic Albanians have also died in the conflict and more than 70,000 made

Richard Holbrooke, the US envoy, said at the end of his latest shuttle mission last Sunday that he had made no significant headway in his efforts to arrange a ceasefire. Foreign ministry officials of the six nation Contact Group meeting in Bonn on

sides to stop fighting, but to no avail. The Contact Group - the US, four European allies and Russia - reiterated its rejection of demands by the ethnic Albanian majority for independence but pressed machine guns, have killed at Belgrade to give Kosovo least three Serbian police- enhanced autonomy within without news of abducted the Yugoslav federation.

Wednesday called on both

dan Milosevic, the Yugoslav president, US, European and Russian diplomats have started setting up a mission in Kosovo that is to number about 100 observers.

However, Mr Milosevic refused to allow the Organisation for Security and Co-operation in Europe to operate in Kosovo until it lifted its suspension of Yugoslavia's membership.

The KLA, a loose-knit group of guerrillas and vilmilitia bankrolled by Albanian nationalists in Europe, rejects a ceasefire until all government forces are withdrawn from Kosovo. The Albanian-language

newspaper Koha Ditore yes-

terday quoted Naim Maloku, a local KLA commander, as saying the rebel group would not accept Ibrahim Rugova as its political leader. Mr Rugova, the west's principal nevotiating partner in Kosovo, heads the main ethnic Albanian party in the prov ince and is regarded as a moderate because of his rejection of violence.

The International Commit tee of the Red Cross (ICRC) said yesterday it had secured the first release of civilians abducted in Kosovo - two setzed while taking a bus to the provincial capital Pristina, The Geneva-based organisation did not identify who had taken them. It said dozens of families were still

'Civic Hungary' crusade has to make a slow start

Political realities are already modifying Viktor Orban's idealistic campaign promises, writes Kester Eddy

liktor Orban. Hungary's Chikan, respectively the youthful new prime incoming ministers of minister, took the reins of a three-party coalition government this week pledging a very different type of administration from those preceding it.

Mr Orban, at 35 the second roungest prime minister in Hungary's history, led his entre-right Fidesz-Hungarian Civic party to victory in May's elections with repeated promises of a "civic" Hungary.

Roughly speaking, this means a fair chance for all policy similar to the previright-minded citizens in a ous government, pushing ountry governed by the rule Nato and EU membership, of law rather than - as some although Mr Orban promises Fidesz leaders would claim to uphold Hungarian intera land run by grasping ests, particularly in agriculsocialists who promoted their cronies, and by liberal the Socialists Budapest intellectuals with

no feeling for the Magyar Mr Orban won the election with promises of rapid economic growth, promoting family values and Hungarian culture, supporting ethnic Magyars in neighbouring countries and helping small businesses from Budapest to the humblest village on the

He pledged to attack coruption, tax evasion, and especially relevant now after a bomb attack in central Budapest killed four people last week – organised crime. Mr Orban expounds these themes with crusader-like shake," was the gist of how passion but he is already finding the political and financial constraints of gov-

mighty anti-communist grouping, and more problematically, with the rightwing Smallholders party, led by Jozsef Torgyan, a lawyer. The Smallholders prom-

ised their voters big rural

infrastructure development

Since May, Mr Orban has

worked tirelessly to reach a

coalition agreement with the

Democratic Forum, the once-

finance and economic

affairs, are widely expected

to keep a prudent hand on

or any figure for economic

growth in the government

programme." said Tamas

Szalai, an analyst with Con-

"Instead, it's single-digit

inflation by 2000. Winning

the election is different from

Fidesz promises a foreign

governing the country."

"You don't see 7 per cent

the economic tiller.

and even more vocal support than Fidesz for Hungarian minorities abroad. Mr Orban seems to have quickly built a genuine rapport with Mr Torgyan. "It's not the written agree but his word and hand-

Mr Torgyan described the

basis for the alliance. The coalition, which has ernment are watering down 55 per cent of parliament's nity about the risk of over-his campaign promises. 55 per cent of parliament's nity about the risk of over-seats, includes four Small- expansion, has persuaded Mr Socialist predecessors on

dent Arped Goncz (right) is embraced by Prime Minister Viktor

As one western diplomat put it, Mr Orban and his students below 40, have been on a "very steep learning curve" in the past few weeks and have adjusted their populist rhetoric. "It didn't matter much what the party apparatus said before. Now they realise it quickly has

The sight of the Budapest stock market tumbling during and after the election, combined with warnings from the business commu-

nomic policies based on 7 per cent GDP growth.

He has also opted for people trusted by the finance and business world to head the finance and economic ministries. There is no room for Gyorgy Matolcsi, the economic adviser who promoted the 7 per cent target and was widely touted for the economics ministry before the

Gone, too, are threats to revise the terms on which stakes in the gas and electricity industries were sold to foreign investors.

Instead, Mr Orban is rap-Zsigmond Jarai and Attila holders in the government Orban to stop talking of eco-maintaining, if not increas-

ing Hungary's \$2bn annual foreign direct investment inflow. Meanwhile, the re-instatement of the death penalty for murder, a Smallholder manifesto item, is absent from the government

Nonetheless, the government has retained a bagful of populist measures. It has reintroduced family allowance regardless of income and scrapped tuition fees for university students, which at \$10 per month were hardly excessive even in Hungary's low-wage econ-

More ambitious proposals to reduce personal income tax rates and cut by nearly half social security payments to 25 per cent of salaries by 2002 have yet to be

Other measures, such as one to replace the elected boards which govern the social security funds with a direct government commission, are seen by many as a positive step. Although the idea is condemned by the Socialists as anti-democratic, the funds are notorious for leaking money.

Solving a long-running row with Slovakia over a big Danube hydro-power scheme may be more of a problem. Hungary unilaterally pulled out of the project in 1992, and the resulting dispute was taken to the Interna-tional Court in the Hague.

Slovakia argues that the court's complicated verdict obliges Hungary to build the dam after all. But Fidesz thinks differently. A western diplomat predicts: "This will end up with Hungary paying a lot in compensation to Slovakia. I see no other solu

YEAR 2000 PROBLEMS FOR SMALLER BUSINESSES

Millennium bugs the Mittelstand companies

Germany's Mittelstand companies, small and medium-sized businesses mainly controlled by families, are not doing enough to avert possible damage caused by

Such businesses are particularly prone to the millennium bug because of their comparatively old information technology, and their computer departments often lack the manpower and experience to find an in-house solution for the problem. Franz Schoser, the

DIHT's president, said. So far, the companies have been reluctant to invest in an overhaul of their IT equipment by outside experts. However, the DIHT warned, they will face difficulties in finding consulting and service assistance as the millennium draws nearer.

shortage of the sort of expertise required to make a company's IT resistant to the

do not act as soon as possible. Mr Schoser said.

Mittelstand companies 2000. have been concentrating their efforts on making their computers and software compatible with the euro, the year 2000 problem, the Europe's new single cur-chambers of industry and rency. This had overshadcommerce (DIHT) warned owed the year 2000 problem.

> The companies often lack the manpower and experience

Germany's big companies, by contrast, were well on track to ensure a smooth transition of their IT into the next millennium, Mr Schoser

The root of the year 2000 problem lies in 1970s and 1980s computer-programs

threatening maifunctions and crashes on January 1

While the problem has been a high-profile issue in the US and Britain, experts have accused Germany of having woken up too late to

The government is now publicise the year 2000 problem. A report published this week by the economics ministry and the ministry for education and science urged all suppliers and users of IT to show more initiative in

tackling the problem. According to figures in the report, 55 per cent of German businesses have so far checked their IT systems and machinery for millennium bug vulnerability. while 20 per cent have successfully tested their updated software.

Gunther Rexrodt, the economics minister, acknowledged that Mittelstand companies were the Achilles' heel in Germany's effort to prevent damage from the millennium bug.

There may be a marked which record years as two digit-numbers. If left unchanged, many computers will be unable to distinguish

CZECH GOVERNMENT SMALL PARTIES COMPLAIN OF 'CARVE-UP' Havel accepts party deal despite protests

President Vaclay Havel reluctantly accepted that he would probably have to appoint Milos Zeman, the leader of the Czech Social Democrats, as prime minister despite appeals from two small parties that have been excluded

Mr Zeman signed an agreement with the Civic Demoeratic party (ODS), which came second in last month's election, that should allow him to form a minority single-party government. It would be the first taste of power for the Social Democrats since the fall of communism in 1989.

and the charmanship of the committees overseeing the budget and the secret services. It will also nominate the head of the Supreme

FI

Audit Office. The Christian Democrats and the Freedom Union, two small parties which had been courted by their bigger rivals, threatened to take the agreement to the Constitu-

Christian Democrats, said it was "an attempt to replace the old article about the leading role of the Communist party with a similar role for two political sides".

However, Mr Havel, who shares their unease about the way the two big parties plan to carve up power and change the constitution, said he would probably appoint Mr Zeman at the end of next week after consulting with legal experts and discussing ministerial appointments with the Social Democrat

Vaclav Klaus, the ODS leader, defended the agreement as the product of the "crisis of the coalition government model", shown by In return, the ODS will be the failure of either party to given the posts of speaker of agree terms on forming a both houses of parliament government with the two small centre-right parties.

The ODS, which won a higher than expected 63 sents by warning against a return to socialism, has pledged to be absent from parliament when the new government's vote of confi-

dence is held.

a vote of no-confidence in the government during its four year term.

The swift agreement on the new government repays the debt incurred when. after long negotiations, the Social Democrats allowed Mr Klaus to form a minority three-party government after inconclusive elections in

To avoid a similar situation, the new government will prepare proposals within 12 months to change the constitution. These are likely to involve introducing a different electoral system which will allow the ODS and the Social Democrats to win more seats at the expense of the smaller par-

The proposals will also clarify the role of the president in the process of forming a government.

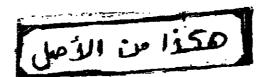
Both Mr Zeman and Mr Klaus believe Mr Havel has too much leeway and that he used this to install Josef Tosovsky, the former governor of the central bank, This would allow the 74 against their wishes at the Social Democrat deputies to end of last year, when Mr win a majority of the 137 Klaus's government fell over remaining votes. The ODS a political donations scandal.



The first two modules of the International Space Station are now complete. They will soar into orbit later this year. Sixteen nations are huilding the International Space Station. Never before have so many countries worked together in a time of peace. Boeing is proud to be a part of this unprecedented global cooperation and to be a leader in mankind's next great adventure in space.

http://www.hoeing.com

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Lure of Red Sea oil behind island dispute

By Robert Carzine

An arbitration tribunal in London has begun hearing arguments in the dispute between Eritrea and Yemen over ownership of the Hanish islands, a potentially oil- 1995 when military forces rich area in the Red Sea.

time boundary between the two countries opened this week amid continuing unceroutcome of Eritrea's dispute with Ethiopia over land bor-

Hundreds were killed in bombing raids and clashes asked to address two main between ground forces in

diplomats try to find a lasting solution.

Eritrea's dispute with

Yemen over the Hanish islands flared in December from the two countries The hearing into the mari-clashed. Boutros Boutros Ghali, the then United Nations secretary-general, stepped in to negotiate a ceasefire. Eritrea and Yemen later agreed to binding arbitration, which is expected to take about a vear.

The tribunal has been issues, according to Rodman late May and early June. An Bundy, a specialist in inter-

in place in recent weeks as with law firm Frere Cholme- so. ley in Paris.

The first is to determine ownership of the islands. Written evidence has aiready been provided by both sides, and oral argu- although foreign oil compaments will be heard in coming weeks. The nature of the "transient" populations that occasionally occupy the until the early 1990s, but islands is expected to be a never went so far as to drill thorny issue during the a well. deliberations.

on the sovereignty issue are uncontested area north of expected to be completed within six weeks or so. But a ful] decision, including drawing up new demarcation of Italy had planned to begin

unofficial ceasefire has been national boundary disputes lines, could take a year or

The two boundary disputes involving Eritrea have held up oil exploration in the darko to evacuate personnel region. No wells have been drilled around the islands. nies have shown interest in the area. IPC and Amoco held an exploration licence

There has been a recent Mr Bundy said arguments flurry of interest in the the islands, however, Anadarko, a leading US independent oil company, and Aglp

drilling this summer in Erltrean waters. The onset of the conflict between Eritres and Ethiopia caused Anabut the company says it still intends to drill three exploration wells this year if the political situation permits. 'Anadarko believes the undiscovered reserve potential for its Zula and Edd exploration

and 1bn barrels. Petroconsultants, a Gen va-based group that monitors exploration and licensing activity around the world says that a number of other international oil com-

blocks to be between 300m



Language law dispute adds to Algerian woes

By Routa Khalaf in London

Thousands of demonstrators marched through Algiers the singer and kill those who yesterday in protest at legislation that has imposed Arabic as Algeria's sole official language and denouncing the recent killing of a popular Berber singer.

Berbers, who make up 30 per cent of Algeria's population, want official status for their Tamazight tongue.

The protesters, also marching in support of peace in Algeria, were responding to the call by the Socialist Forces Front (FFS), a leading secular opposition party. The march followed riots and demonstrations in bic language but for us the the Berber region of Kabylia after the death of leading Berber figure and singer Lounes Maatoub nearly two

the Armed Berber Movement, an organisation pledging to avenge the death of apply the Arabisation law. The threats raise fears of a further exacerbation of violence which has has claimed more than 65,000 lives in the

past six years. Hocine Ait Ahmed, head of the FFS, yesterday accused the Algerian regime of using the language issue to radicalise public opinion and provoke rifts between Arabs and Berbers

"Linguistic pluralism is an asset, not a handicap," he said. "We are not being antagonistic against the Aralaw is a political manoeuvre to divert attention from the present crisis and gain time. Mr Ait Ahmed said the insistence on bringing the law



isolate and break his party, the only significant party calling for western pressure on the government, independent inquiries into the violence and a dialogue that would include the banned Islamic Salvation Front. This

The language issue has put the FFS in a delicate position and in search of the middle ground between the need to cater to its mostly Kabyle constituency and the effort to turn itself into a

met Liamine Zeroual, the Algerian president, in a rare and unexpected move. According to the FFS the president rejected demands to freeze the law but said implementation would be

tensions, the FFS this week • A bomb exploded yesterday in a market in an Algiers suburb, killing 10 and injuring 21. Meanwhile, Algerian security forces said Khalifi Athmane, head of the armed Islamic groups (GIA) in the capital. was shot dead

Africa markets

Robert Rubin, US Treasury Lasward by the president financial markets to help African reformers into the nurture the continent's fragile economic recovery.

Mr Rubin will visit Ivory Coast South Africa, Mozambique and Kenya to discuss US technical assistance in efforts to improve general economic governance, the management of the financial sector, and expanding credit to small businesses and

micro-enterprises. The trip, which was announced last month, has taken on added urgency in light of the collapse of the South African rand over the

past two weeks. South Africa is also the biggest trading partner of the US in Africa, receiving nearly half of all US exports

to the continent. The currency's fall was initially triggered by consequences of the Asian economic crisis. However, it quickly deepened following. the announcement that Tito Mboweni, the controversial labour minister, would replace Chris Stals, the respected South African Reserve Bank governor, at the end of his term next

Although the situation has stabilised in recent days, Mr Rubin is expected meet a wide range of public and private sector officials in South Africa to discuss the rand's collapse and other economic

President Nelson Mandela will be hoping for a strong Congress grants Mr Clinton statement of support from Mr Rubin for his government's conservative eco-

The US delegation will include executives from private US financial institu- is sending a powerful mestions who will hold separate discussions with African that the US is determined to government and private sec- stay involved in the contitor officials.

hearing, Lawrence Summers, deputy treasury secretary, said Mr Rubin's trip was intended as a follow-up to President Bill Clinton's historic visit to Africa earlier this year. This reflects a renewed focus on the continent in US policy-making

advance the initiatives put secretary, leaves this week-especially in the financial end for a nine-day trip to sector, and to convey Amer-Africa that will focus on lea's willingness to do what building more efficient we can to help integrate global economy," Mr Sum mers sald.

The inclusion of Kenya is particularly notable, as the country, once seen as the was pointedly left off Mr Clinton's itinerary because of its ongoing political prob

The US administration has already approved two new Africa funds by its Overseas Private Investment Corpora tion to belp finance new infrastructure projects.

However, an Africa trade bill that is the centreniece of the new initiative has been stalled in the Senate after being approved by the House sentatives.

The bill would expand access to the US market for a range of African countries. provided they could demonstrate a solid track record in adopting sound economic policies.

It would also create a bilateral US/Africa economic forum and initiate plans for the long-term creation of free trade zones. Senate leaders hope the

bill will be approved later this month in conjunction with a separate initiative for the Caribbean. The legislation has run

into opposition from US unions which fear that it could cost domestic jobs, while some legislators are reluctant to approve it until fast-track authority to negotiate new international trade agreements.

Nevertheless, analysts say that even if the trade bill fails to pass, Mr Rubin's trip sage to African governments

nent's future. deal," said Constance Free man, director of African Studies at the Centre for Strategic and International Studies, an independent think-tank

"Washington has realised that Africa can't be

ignored.

Death toll put at 45 as more Lagos riots erupt

Fresh violence erupted Lagos as unemployed youth yesterday in Lagos, Nigeria's clashed with petty traders talks which began on said one official, referring to annulled by the military.

Wednesday under military former Nigerian number two He died of an apparent in detention of opposition leader Moshood Abiola, Reu-

ters reports from Lagos. death toll in earlier rioting over Chief Abiola's death in discuss restoring civilian the city of 8m at up to 45

Witnesses said police fired teargas to disperse mobs in tial villa said the Provisional

region of most present and

past Nigerian rulers. In the capital Abuja, Nigeria's military rulers met for a second day running to rule and freeing political

Officials at the presiden-

ruler General Abdulsalam Abubakar and a statement

would follow. - --"What happens to the remaining political detainees and the yet-to-be-announced transition programme were discussed," said the state-

Fresh violence erupted Lagos as unemployed youth Ruling Council had resumed will also be determined," after winning an election under GenAbacha, who him-Lieutenant-General Oladipo Diya and several others, all

from the south-west. The men were found guilty of plotting to topple Gen Sani Abacha, Gen Abubakar's predecessor.

Chief Abiola had been detained since 1994 when he "The fate of coup plotters declared himself president

heart attack while meeting a US team to discuss the military government's terms for

Nigeria is anxiously awaiting the results of a post mortem on Chief Abiola by foreign pathologists due in the country last night.

self died of a heart attack a

Gen Abubakar on Wednes day appealed for calm following riots that have killed at least a score in Chief Abi-

However, his speech gave no hint of how the army plans to restore civilian rule Chief Abiola was held to the nation of 104m.

WORLD TRADE

Turkmenistan to sign biggest oil contract

By Robert Corzine

Turkmenistan's biggest oil development deal is due to be signed today in Ashgabad with Mobil of the US and Monument Oil of the UK. The deal, which also includes Turkmaneft, the state oil group, will cover

ment of a vast onshore area of western Turkmenistan along the Caspian Sea coast. Signing the Garashsyzlyk agreement will help Turkmenistan catch up with other Caspian countries in the competition to attract separate PSAs. foreign capital to develop oil and gas reserves. "The Turk- Turkmaneft, and covers the mens are feeling the (finan-

cial) pressure to move on

and get things done and

deals signed," said one west-

ern oliman in Ashgabad. Mobil and Monument are expected to spend about \$100m over the next three years, although investments could run much higher if and appraisal of prospects seismic surveys and drilling outside of existing fields. activity confirm their more optimistic assessments.

The two companies now the year. The expansion of from exploration acreage. that field plus the development of the Garashsyzlyk nies persuaded the governarea could result in oil pro-ment of President Saparmuduction in western Turk- rat Nivazov that licensing a menistan of up to 500,000 b/d single large area would be a by 2006-2007.

diminishing likelihood of early investment from that region is said to have helped galvanise the Turkmen government into finalising the Garashsvzlyk agreement. Other oil companies considat the signing of a final agreement after 18 months

One of the stumbling blocks is thought to have been Mobil's concern about potential liability for existing fields, many of which are dilapidated and require extensive refurbishment.

The Garashsyzlyk agreement covers the exploration. development and production of oil and gas over 4,500 sq km of western Turkmen istan. A strategic alliance between Turkmaneft, Mobil and Monument includes two

The first only involves existing mature oil fields in the area. The second, which Mobil will operate, covers undeveloped reservoirs discovered underneath the Kotor Tepe and Barsa Gelmes fields, which have been extensively developed. it also covers exploration

The agreement is a departure from the usual production sharing arrangements produce about 14,000 barrels in the Caspian. Generally a day from their Burun field, countries license much with output expected to rise smaller areas, and usually to 26,000 b/d by the end of split development projects

The two western compamore efficient way of kick-The Asian crisis and the starting the country's ailing Mobil has asked the US

oil industry. government to allow it to swap oil from its Turkmen operations for Iranian crude on the Gulf. Its British partner. Monument, expects to ering investing in the coun- conclude its first swap deal with Iran at the end of July. In global economics.

Indian software foreign clients served by high speed data links

Exports grow strongly — by phone

India's software exports last year rose by more than 50 per cent for a seventh successive year. An increasing share of exports - worth \$1.75bn - came from companies in India serving clients abroad over high speed data links, said a study by the National Association of Software and Service Companies

Software exports continued to outstrip growth in the economic slowdown held

Nasscom. Exports rose 52 per cent from \$1.15bn a year earlier despite the rupee's depreciation against the dollar over the year. Some 59 per cent of sales were to the US. 22 per cent to Europe and 9 per cent to Japan and

south-east Asia. Nasscom said it expected software exports to reach \$2.7bn this year. The boom in software exports, a rare bright spot in India's othervice and product sales now

By Mark Nicholson in New Delhi per cent on last year, said per cent of India's export lighted a continuing trend earnings. "We believe in the away from "on site" softnext five years we will ware services, where engiaccount for 25 per cent of total earnings," said Dewang Mehta, Nasscom's executive linked "offshore" services.

The study reported that 73 Indian companies last year reported exports worth more than Rs100m (\$2.35m), against just eight five years ago Tata Consultancy Services, the software arm of the diversified Tata group, wise declining export perfor- headed the list of export domestic market, where an mance, meant software ser- earners, reporting overseas sales worth Rs9.55bn The Nasscom study high-

neers physically visited overwhich accounted for 41 per cent of exports last year against 5 per cent in 1990. The study said the industry now operated almost 600 high speed leased lines against 10 in 1992. Mr Mehta said he expected export growth to continue at rates above 50 per cent.

software and information technology industries. These included moves to accelerate import duty cuts on computer equipment, currently 30-40 per cent, to zero by 2002 - sooner than required by the World Trade Organisation - along with moves to set up venture capital funds. in its proposals this week. the task force suggested India could raise software exports to \$50bn within a decade, creating perhaps 1m already india's fastest grow-

A government appointed new jobs in the sector task force this week presented a series of recommen-

Caribbean community grapples with challenge of creating a single market

By Canute James in Kingston

Leaders of the 15 countries in the Caribbean trade bloc Caricom have resolved to lead their nations quickly

into economic union. At their recent annual summit, leaders of the community decided they must have the main elements of a single market in place by the end of 1999. This would be necessary for Carlcom to take part in the Free Trade Area of the Americas, proposed for 2005, and to handle changes expected in trade relations with the European Union and members of the North American Free Trade

Agreement. "We are off to a late start, but the community has been discussing the single market and economy for the past seven years," said a senior official of the Carlcom secretariat. "Any further delays in dealing with this will leave our members as straws in the windstorm of change



With a market of 13.5m spread from Belize in Central America, through the Bahamas, Haiti, Jamaica, the English speaking islands moving forward. "I do not ministers struggle through mon policies, leading the see our countries competing protracted and sometimes for the manufacture of acrimonious negotiations on goods. We delude ourselves to think we can go back to transportation, agriculture planting sugar cane or and industry. assembling and re-export-

Caricom has already implemented some elements of the single market. It has created a customs union with common tariffs on imports from third countries. A nascent regional capital market is encouraging cross-listing of stocks on the Barbadian, Jamaican and Trinidadian exchanges, with exchanges being planned for Guyana and the Windward and Leeward Islands.

However, the community faces the challenge over the next 18 months of rewriting of the eastern Caribbean, to the treaty with which it was Guyana and Suriname in created in 1973, and which northern South America, member governments agree Caricom is a relatively small is ill-suited to the demands trading bloc. But Sir James of the 21st century. The 1999 Mitchell, prime minister of target is already threatened

new policies for trade and "The old treaty also lim-

ited the movement of capital, skills and business in the ket and economy. "The the FTAA and the EU, and such matters as bilateral investment treaties, intellectual property rights and trade in services."

Caricom members admit to two big hurdles on the road to the single market. The first is the different levels of development among members. Per capita income of \$7,500 in Barbados is three St Vincent, says size should as technocrats, lawyers, parities are hardly condu-well as the size of budget not prevent the community economists and government cive to agreement on comdeficits.

community to a series of exemptions for poorer econo-

The second hurdle faced by Caricom is the creation of a common currency, which the region's leaders consider the stiffest challenge in the region," said Owen Arthur, creation of the single marprime minister of Barbados, ket Earlier efforts at making who has the community's the region's currencies freely portfolio for the single mar- convertible have been troubled by the mix of fixed and treaty has to be changed so floating exchange rates. The that regional trade policy common currency is the one can be widened to deal with element which the community has agreed will have to come after 1999.

"This will demand harmonising such difficult aspects as interest rates, which now vary between 9 per cent in Barbados and 28 per cent in Jamaica," said Mr Arthur. "Debt service ratios must fall and there must be stability in exchange rates. Adequate times that of Jamaica and 30 levels of international times that of Haitl. Such dis-

presses US on labels law

Brussels

By Nett Buckley in Brussels

The European Commission maintaining pressure on the US to put new legislation before Congress on labels of origin for European textiles, warning it will go to the World Trade Organisation unless Washington acted by

August 20. US officials have indicated that they do intend to comply with a year-old agreeent to introduce the legislation by that date, a month after the original deadline of July 20, but Brussels officials are nervous at the apparent

lack of progress.

At issue is a change in US rules in July 1996 that forced European Union textile manufacturers to label finished goods such as scarves with the name of the country that produced the raw cloth, instead of the country where the cloth was dyed and processed, as previously. For example, a scarf made from raw Chinese silk, but finished in an EU country, had to be labelled as coming

from China, not from EU exporters claimed that the rule change affected the value of goods, and hit hundreds of millions of dollars of textile exports to the

Brussels was on the brink of launching WTO consultations on the issue last summer, but stopped the case when the US pledged to change the labelling rules back permanently, with a bill in Congress.

EU trade officials are also

concerned that the bill could he delayed or voted down by Congress, and suggest Brussels could launch a WTO case if Congress has not adopted the legislation by



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Australia sweetens Telstra sale for rural areas

federal Australia's government will today pave the way for the A\$50bn (US\$31bn) privatisation of telecoms group Telstra by unveiling a ASIbn package of telephone benefits for rural areas.

The mitiative is designed to secure parliamentary support for the Telstra privatisa. The move by the Liberal-tion from the National party. National party coalition gov-vice guarantees and the pro-

elections

When a governing party is

eral Democratic party, it is

the opposition that might be

expected to benefit. But no

Japan's voters who go to the

have won the confidence of confused, analysts said.

A\$420m upgrade of its race-based election. mobile phone services to regional Australia to bolster support in rural areas.

the Diet. Public support for

popularity of Prime Minister

fallen to less than 30 per

However, after a series of

realignments that have

resulted in the birth of 18

parties, many of which bave

since disappeared, the Japa-

nese public is fed up and

In particular, the sudden

demise of the New Japan

cent in recent polls.

Disillusioned voters see no

alternative to unpopular LDP

tested in the upper house of resulted in widespread disil-

Ryutaro Hashimoto has was widely hailed as the

sents rural voters. The the controversial bill on National party is concerned aboriginal land rights earlier the Telstra sale will this week, a parliamentary debated by the upper house adversely affect telecoms triumph for John Howard, of parliament, where it has prime minister, which averts Telstra also announced a the possibility of an early

> Its package includes the extension of untimed local calls to more rural dwellers,

The birth of the govern-

ment of Morlbiro Hosokawa

start of a new style of poli-

tics. But Mr Hosokawa

abruptly resigned over a

would change. I expected

politics to be based on the

people's will," recalled Masa-

yuki Satake, a lawyer living

in Tokyo, and a committed

opponent of the LDP. "But I

financial scandal.

debated by the upper house been stuck because of the house's preoccupation with tisation of Teletra would the native title legislation. Tim Fischer, deputy prime from future generations. But minister and National party leader, said yesterday the

Many voters, like Mr

the LDP but are at a loss

which party to vote for. "The

majority of the Japanese

LDP or the Hashimoto gov-

ernment. But that does not

mean they support the Dem-

Democratic party, an opposi-

tion party.
The Democratic party is as

yet young, formed only two

months ago and unfamiliar

which is a member of the ernment is an attempt to vision of high-speed commution passing". The govern-ruling coalition and reprecapitalise on the passage of nication links to regional ment claimed Telstra's package of benefits had nothing The Telstra bill is being to do with its attempt to win approval in the upper house for the privatisation.

Mr Howard said the privaremove the "debt monkey" opponents say the rural initiative demonstrated why it should remain majorityowned by the government.

The National party is con-cerned about the Telstra sale opposition Labour party because it fears losing votes in rural areas in the next claimed Telstra's upgrading Federal election to the One showed the government had Nation Party, which is used its shareholding to headed by populist politician pressure the company into Pauline Hanson

Mrs Hanson opposes the Telstra sale as do many regional and rural rural voters, who fear a fully privatised Telstra would downgrade services to less profitable areas in regional

people... is for the government to retain its position as the two-thirds owner of Teldiscredited in the public's tics. More than half of Japaeyes by forming an alliance nese voters polled by Yomiuri Shimbun, the country's

communications spokesman.

improving rural services.

The only real protection for

most organised political machine that can get supporters to vote, the general lack of interest works in its

"But we will show that the Democratic party is here to stay," said Mr Kan. However, with a strong possibility that many uncommitted voters will stay away from the polls, it is likely to be some time before the Japanese opposition provides a



Kan: Democratic party leader

Recent polls indicate the party, which led a coalition was fooled. The hope of to most of the electorate. In addition, the Social LDP is struggling to hold on that ousted the LDP for the politics for the people was

cratic party, which used to provide the main counter-weight to the LDP, has been reduced to a much smaller grouping, as a result of the defection of large numbers to the new Democratic party.

with the LDP, formerly its three years. Among the opposition par-ties, only the Japan Communist party (JCP) is forecast to do significantly better on Sunday, with polls showing it at least doubling its seats to 12. The JCP appears to many the most reliable antiestablishment party but it is starting from a small base.

opposition parties has been able to convince the public that its policies are clearly better than those put forward by the LDP. "I am not sure that voting for a party other than the LDP will necessarily improve the economy," noted Mr Satake.

The weakness of the oppo-

Furthermore, none of the

biggest daily newspaper, do not support any political party. Among those who do support a particular party, as many as 42 per cent said they might not vote in the Since the LDP has the

Townsfolk resigned to a bleaker future

"I felt that something ocratic party," admitted rould change, I expected Naoto Kan, leader of the new

By Alexandra Harney In Ushimado, Japan

in Tokyo

To the residents of Ushimado, a harbour town in western Japan, the furore harbour. in Washington and Tokyo seems far away.

On the eve of this Sunday's parliamentary election. while politicians and bureaucrats in Tokyo grapple with policies to resolve Japan's economic woes, the people of Ushimado have resigned themselves to a much political change. bleaker future for Japan.

who to vote for. Politicians are the same in every party; sions with the US and they have no policies, and increasing pressure on the about job losses and welfare they don't implement the administration to produce a problems from the closure of

owns a picturesque bed-andbreakfast business in an olive grove overlooking the

"Their policies are meaningless to us. The politicians are using us," adds Ayako Kobata, Mr Kobata's wife. Japanese rural voters, frustrated with nearly 50 years of Liberal Democratic party (LDP) rule, have little

tion will lead to significant in Tokyo, the banking sys-"The public has no idea tem's loan problems are trial harbour and hills covaggravating bilateral ten-

ones they do have," com- reform plan ahead of the a local carbon factory this plains Ichiji Kobata, who polls. But in rural communi- year. ties such as Ushimado, a long-held distrust of politics has given way to hopelessness and apathy.

Even Takashi Yamashita. the local election official, was at a loss for words when asked about the issues being debated by Ushimado voters. "I couldn't really say. There aren't many issues discussed here. I think people would like to see the economy confidence the coming elecimprove," he said.

Residents of the town, located between an indusered with pumpkin and cab-

They are concerned about the town's ageing popula-tion, with its highest concentration of residents aged between 60 and 70 years. They are less interested in the government's "bridge bank" scheme to resolve banks' bad-loan problems or the weakness of the yen.

"All the parties have the same policies. They use all the same words: financial system restructuring, financial revitalisation. They are always using these same difficult terms. What do they call that thing they are going to use to help the banks?" asked Mr Kohata. "Doesn't the government

help the people at the lower levels of society?" "If they don't help us at the lower end, the economy will never

improve. "The people are the ones who buy cars and air conditioners. If they don't spend their money, nothing will ever get better.' Last year's consumption tax increase and the subsequent rapid economic downturn have deepened voters' distrust of the political parties, in particular the LDP.

reduction in consumption and corporate taxes. Ushimado is the political heartland of Ryutaro Hashimoto, the prime minister.

Voters said they want a

understand that solving the who represents the region. bad-loan problem doesn't But even here, the LDP's performance has been called into question.

The reason residents are reluctant to switch parties is the LDP's hold on the public purse strings, and local fears that an LDP defeat would jeopardise the public works projects Ushimado depends on for its survival.

Norifumi Kato, the LDP incumbent, is challenged by candidates from seven parties, who are all lobbying intensely for votes. But most people in Ushimado have never met any of the candidates and are ambivalent about the outcome of the

Resigned to LDP domi-



its performance, many residents said they would vote because that was the only way to try to change the system. "I will vote, but I've halfway given up on politicians already." said one bakery employee.

viable challenge to the LDP.

nance and disappointed with

release

The Japanese government Russia this fiscal year, in the first package of untied loans ever to that country. The deal, which covers part of a \$1.5bn package announced by Japan earlier this year, is to be signed next week when Sergel Kiriyenko, Russian prime minister, visits Janan with Mikhail Zadornov, Russian finance minister.

The full untied loan package is one of the largest Japan has committed to any country. The two governments will also sign a bilateral investment protection agreement during Mr Kiriyenko's visit.

The decision by the Japanese government to release the loan reflects Japan's renewed interest in strengthening ties with Russia. The two countries have not signed a peace treaty formally ending hostilities in the second world war.

Ryutaro Hashimoto, Japa nese prime minister, has long-standing dispute over the status of the Kuriles while Mr Yeltsin is in office. The islands, known in Japan as the Northern Territories, are claimed by Japan but currently occupied by Rus-

Mr Yelishn has suggested when Mr Hashimoto visits Moscow later this year. However, Russian officials have indicated that they have no intention of giving up the islands, according to media reports.
Mr Hashimoto and Mr

Yeltsin agreed to expand economic co-operation in prime minister's visit to

The untied loans, to be released by the Japan Export Import Bank with the World Bank, will go towards assisting the restructuring of the Russian coal industry.

INVITATION FOR SUBMISSION OF OFFERS

for the purchase of 30,000,000 common registered shares in DUTY FREE SHOPS S.A.

The Public Company for Transferable Securities (the "Seller"), a wholly-owned subsidiary of the Hellenic Republic, hereby invites, according to the Resolution of the Board of the Athens Stock Exchange ("ASE") dated 19 February 1998, as amended, any interested party (the "interested Party") to submit offers (the "Offers") for the eash purchase of thirty million (30,000,000) common registered shares (the "Shares") in Duty Free Shops S.A. (the "Company"), according to the following terms.

Terms and Procedure

1. Applicable Provisions: The procedure for the submission of the Offers and the transfer of the Shares will take place according to (a) the Resolution of the Board of the ASE on the "Procedure for Submission of Offers for Block Trades through the "Stock Exchange" dated 19 February 1998, as amended ("the Resolution of the Board of the ASE"), and (b) this Invitation for Submission Offers.

2. Submission and Minimum Required Content of the Offers: The Offers must be submitted according to the Resolution of the Board of the ASE and the following conditions:

a. The Offers must be submitted to the Board of the Athens Stock Exchange on 27 July 1998 from

b. The Offers should be made for the whole lot of the offered Shares, otherwise they will be rejected, Because of the nature and the conditions of this procedure this invitation is addressed only to investors who act in the context of their professional/business activities and not to the general public.

c. The total value of the Shares must be paid in eash upon execution of the Share Purchase Agreement and

d. All offers should be accompanied by an Irrevocable Participation Letter of Guarantee by a bank operating in Greece or abroad, a draft of which any Interested Party may receive according to para. 6 of this Invitation. e. The Offers should not contain any terms, conditions, reservations, or ambiguities in respect of the offered

price or other matters relevant to the sale. f. The submission of improved or competitive offers is prohibited.

3. Commitment of the Purchaser: By submitting an Offer, Interested Parties are considered to have explicitly and unconditionally assumed the obligation that employment relations between the Company and the personnel will continue to be governed by the legislation in force and by the General Personnel Regulation-ratified by Joint Ministerial Decision 1598/20.5.1996 (Government Gazette B 390) by the Ministers of the Interior, Public Administration and Decentralisation, of Finance and Social Security-except for those provisions enacted as a consequence of the Company being part of the public sector which will no longer have effect once the

By submitting an Offer. Interested Parties are also considered to have explicitly and unconditionally assumed the obligation to respect labour and social security entitlements of the personnel, as such entitlements are provided for in Personnel Bylaws. Collective Agreements, company practices, Presidential Decree 572/88 and

4. Evaluation and Acceptance of the Offers-Transfer of the Shares: The Sellers will evaluate the Offers and shall have the right, at their absolute discretion, to accept or reject any Offer as provided for in the Resolution of the Board of the ASE. The acceptance of an Offer will be concluded upon notification (through a bailiff or by confirmation of receipt) of the official written acceptance which will also provide for the date of the execution of the Share Purchase Agreement and the transfer of the Shares. A relevant announcement will be published according to the Resolution of the Board of the ASE. The transfer of the Shares will be effected according to the instructions included in the aforementioned announcement.

5. Acceptance of Terms and Conditions by Interested Parties: By submitting an Offer, Interested Parties are considered to have explicitly and unconditionally accepted all the terms and conditions of:

a. The Resolution of the Board of the ASE b. This Invitation for Submission of Offers

c. The draft Share Purchase Agreement, which is attached to the Offering Memorandum as an appendix and which is made available to Interested Parties according to the following provisions.

6. For any communication or further information or receipt of documents the Sellers designate as their representative Mr. Omiros Millas, Associate, NBG International Ltd, Old Change House, 128 Queen Victoria Street, London EC4V 4HR. United Kingdom, tel. +44 171 661-5656. Before receiving the Offering Memorandum and the Appendices, as well as the draft of the Irrevocable Participation Letter of Guarantee, Interested Parties must first sign a confidentiality agreement, which may be obtained from Mr. Omiros Millas, at the address and numbers above.

Athens, 9 July 1998



Demand for rice and other cereals to surge

South Asia will experience the strongest demand for rice and other cereals over the next two decades, according to the International Rice Research Institute (IRRI), the world's leading centre for rice research.

The IRRI, which yesterday launched a new three-vear plan to sustain food security and combat poverty and malnutrition in the first quarter of the next century, aid demand for rice would be greatest in areas where poverty and malnutrition

are pervasive.
Rice represents up to 60 said. Total demand for cereals in Asia will jump 30 per ernments' agricultural cent by 2010, while per cap research programmes and ita availability of water is expected to decline by 40-60 per cent in most of the region's countries.

"It's a formidable challenge," said Robert Havener, IRRI's director-general. "In the next 25 years, the population of planet earth will increase by 2bn. The bulk of that will be in Asia and most of them will be Asian rice consumers. The extent to which we can feed these new mouths depends on our ability to grow more rice largely on existing land."

IRRI said depreciation of regional currencies following the regional financial crisis will lead to rising food prices power among lower income

food insecurity is already visible, despite 30 years of 3 per cent annual growth in rice yields. "Political sensitivity of increasing food prices may induce Asian governments to be less receptive to trade liberalisation, particularly for staple

food items," said the IRRI. The IRRI plan, which consisted of seven new research programmes and 31 projects, centred on maintaining global food security, improving management of natural resources essential for food production, and conserving

IRRI said it will work per cent of daily calorie more closely with farmers' intake in South Asia, IRRI groups, non-governmental organisations, national govthe private sector. Together with its partner countries, IRRI is working on new high-yielding rice varieties it thought would raise yields by 20-80 per cent and be ready within five years.

El Niño, which devastated the farm sectors of several Asian countries, highlighted the difficult trade-offs between the use of water for urban, industrial and agricultural needs. "Clearly, agriculture in Asia will have to be more efficient because it will have less water," said Mr Havener.

The institute also released details of a review of IRRI by

NEWS DIGEST

Exports recover slightly despite regional pressure

China's exports recovered slightly last month, despite continued pressure on Chinese exporters from rival Asian manufacturers where competitiveness has been boosted by currency devaluations.

After a decline in overs sas sales of 1.5 per cent in May, the first drop in 22 months, China yesterday reported that exports rose by 1.6 per cent in June compared with the same period in 1997. In the first six months of the year, exports rose by 7.5 per cent, reaching a value of \$86.9bn, according to Xinhua, the official government news agency.

Imports rose 5.3 per cent in June to \$11.9bn, increesing only 2.2 per cent for the first six months of the year. The lacklustre import growth contributed \$22.5bn to China's trade surplus for the first half of 1998.

The modest recovery in the export figures is likely to come as small but welcome relief to the Beijing leadership, which has repeatedly pledged not to devalue the Chinese currency. It was also announced China's industrial and commercial tax revenues rose 8.8 per cent, reaching RMB389.4bri (\$47bri) in the first half of 1998. The government tax bureau was quoted as saying the figure accounted for 46.6 per cent of the

ASIAN TOURISM

Japanese make fewer visits

target for the year. James Harding, Shanghai

The number of Japanese traveiling abroad this summer fell to its lowest level in 18 years, according to an industry poli released this week. The trend reflects the fall in Japanese consumer demand due to domestic economic decline, and turmoil in markets elsewhere in Asia

The number of Japanese who took trips overseas this summer slipped 3.4 per cent year-on-year, from 3.2m to 3.1m, according to a poll by the Japan Travel Bureau. This was in contrast to the 1.4 per cent increase in domestic tourism, from 79.4m to 80.5m last year.

Travel to south-east Asia, Australia and New Zealand suffered the greatest decline. Although the number of tourists who travelled to Hong Kong and Thalland was steady, travel to Indonesia fell over 30 per cent, from 94,000 to 63,000 people. Korea, where the won has fallen sharply against the yen because of the financial crisis, actually attracted more Japanese tourists. Alexandra Harney, Tokyo

VIETNAM UNREST

Prison sentences for protesters

A court in Vietnam has handed out prison sentences to more than 30 people involved in a wave of rural unrest which broke

out last year in the northern province of Thai Binh. The disturbances, which followed peaceful protests against corrupt local officials, deeply shocked the Communist party leadership in Hanoi and provoked a wave of self-examination in party ranks. At the height of the protests in November last year, some 300 villagers attacked the offices of the local people's committee, and then took hostage more than 20

policemen who had been sent to restore order. In a report on the trial published yesterday, the official party newspaper, Nhan Dan, described the defendants as "extremlsts". The paper said one defendant, Dao Van Ta received an eleven-and-a-helf year sentence, while other sentences

Argentine n rules out ru

Venezuela

for defence

the Food and Agriculture and erosion of purchasing Organisation of the United ranged from 18 months to nine years. Following the protests, Nations, which praised its the head of the province's party committee was removed. scientific achievements. Jonathan Birchall, Hanoi

Canadian Red Cross seeks bankruptcy

By Edward Alden in Toronto

The Canadian Red Cross Society will seek bankruptcy next week to protect itself against claims of more than C\$5bn (US\$3.4bn) in lawsuits filed by Canadians infected with tainted blood in the

uss been tarnished by its role in supplying blood that The bankruptcy applica-infected some 60,000 Canation, if accepted by the ole in supplying blood that dians with hepatitis C and about 1,400 with the virus to reorganise and continue

that causes Aids. It faces its other activities while source familiar with the governments and pharmathree class-action lawsuits in the provinces of Ontario, suits. Quebec and British Columbia over its role in supplying infected blood to 22,000 patients out of the wider group who were infected between 1986 and 1990.

The lawsuits allege the The 102-year-old charity, society failed to use inexpenknown for its work in disas- sive tests that were available ter relief and social services, after 1986 to screen blood donations for hepatitis C.

new independent agency to be known as Canadian Blood it would not absorb the liabilities of the Red Cross and courts, will allow the society

shielding itself from the law-

The federal and provincial

public inquiry to take con-

trol of the nation's blood

supply away from the Red

Cross and turn it over to a

negotiations.

Dawna Ring, representing individuals suffering from governments decided last Aids and hepatitis C, comyear after a long and bitter pared the Red Cross's action to that of Dow Corning. which manufactured brea implants, in using bankruptcy laws to seek protection from class-action lawsuits. "The Red Cross has always relied on provincial and federal governments to

pick up their tab," she said. The society, for instance, pressed the society to seek contributed only C55m of the bankruptcy, according to a roughly C\$400m paid out by

ceutical companies to transfusion patients infected with the Aids virus.

But Durhane Wong-Reiger. president of the Canadian Haemophilia Society, said the blood victims had never expected to receive much in compensation from the Red Cross and had focused their efforts instead on a government compensation package.

The federal and provincial governments have pledged C\$1.1bn to hepatitis C victims, but have been under fire for refusing to compen-

1986. The federal government survived a vote of confidence on the issue earlier this year.

The bankruptcy application will be made as part of a deal next week in which Canadian Blood Services Will acquire the blood assets of the Red Cross for C\$150m. That will allow time for creditors to file their applications with the courts and for the bankruptcy to be approved before the new blood agency begins operat-

executives executives at Archer Daniels Midland, one of the US's biggest and most politically connected agribusiness companies, got underway yester-

> The case, which centres around price-fixing charges which have beset ADM for almost three years, promises to be one of the most closely watched in US corporate his-

The charges first surfaced pany - which has its headquarters in Decatur, Illinois, and which has a hand in everything from cocos to cattle feed - revealed it was price of lysine and allocate the target of a criminal antitrust investigation. It for about three years. quickly became clear the Federal Bureau of Investigation had had a "mole" at the company - Mark Whitacre, one of ADM's top executives

- for close to three years and numerous private meetings (between ADM executives, and competitors) had been secretly recorded. Three products were said huge new processing plant to be under investigation: in Decatur - had around 26.4 high-fructose corn syrup. used in soft drinks, bakery products and jams; citric acid, a flavour enhancer, and

lysine, an amino acid used in animal feed and designed to help animals build lean muscle quickly. A year later, ADM settled its case with the US Department of Justice, pleading guilty to price-fixing in the lysine and citric acid markets and paying a \$100m

fine, a record criminal antitrust penalty. numerous suits brought by angry customers, who Last year, Mr Whitacre claimed to have been overcharged, have also been settled, with ADM repaying tens of millions of dollars to consumer product companies such as Procter & Gamble and Philip Morris.

That plea agreement protected most ADM executives

including Dwayne Andreas. the company's chairman, criminal trial of and his top lieutenant. James Randall. But it did leave the door open for criminal charges to be pursued against two individuals: Mick Andreas, ADM's vicechairman, Dwayne's son and potential successor, and Terrance Wilson, president of the com-processing divi-

starts of ADM

This is the case beginning in Chicago. The prosecution's complaint is straightforward: that Mr Andreas and Mr Wilson, together with Mr Whitacre and Kazutoshi Yamada, managing director of Japan's Ajinom. oto, conspired to fix the its sales volumes worldwide

According to prosecution documents, lysine had become a \$650m-a-year marthe biggest player, with a 34 per cent share. ADM, which virtually doubled world production when it moved into the synthetic lysine business in the early 1990s, building a per cent. The three other Japan, and South Korea's Sewon and Cheil, Like ADM and Ajinomoto, they have already agreed to pay fines for participating in the

lysine conspiracy. With Mr Andreas and Mr much of the case is expected to focus on Mr Whitacre's role at ADM. The former FBI mole was fired shortly after the investigations came to Since then, some of the he had embezzled millions of dollars from the company. pleaded guilty to 37 counts of fraud, money-laundering and tax evasion, and is now serving a nine-year sentence. But if his credibility has been tainted, the US attorney will have the secret recordings which the former ADM executive made as the

Venezuela paying the price for defence of currency

The Venezuelan government, facing labour unrest and a deepening budget crisis, may be paying too high a price to defend the currency,

In just five days the central bank has been forced to sell more than \$600m in reserves to meet dollar demand, and the Caracas stock exchange index down more than 55 per cent for the year to date - is at its lowest level since Septem-

International reserves, which still cover at least 13 months of imports, have fallen from \$16bn to \$14,76bn payments of more than \$3bn in the second half will make further inroads.

Miguel Octavio, chief ana lyst with Bancaracas, a local investment bank, said reserves could drop to critical levels if \$4bn of stabilisa tion bonds maturing in coming weeks are taken out of the country. "The government can continue defending the bolivar. The question is at what cost."

To slow capital flight, the central bank has tightened its monetary policy and increased interest rates, sending shock waves through the financial sector. Average bank lending rates have jumped from 45 per cent in June to 60-70 per cent. The inflation rate is

to honour public debt bills businesses are particularly



Hugo Chávez: leading in polis ahead of December's election

uncommon, heightened investor nervousness and led to cash flow problems with some banks, driving up the overnight inter-bank lending rate to 120-140 per cent two

The interest rate rise is taking its toll. After an unprecedented credit boom last year, many consumers expected to end the year at and producers are now struggling to meet debt pay-The government's failure ments. Farmers and small

last week, though not hard hit, "Demand even for basic foodstuffs is down conducers.

> growth this year is forecast to slow to about 1 per cent. from 5.1 per cent in 1997. Banks, which were far more robust than before the

siderably," said Rodrigo Agudo, head of the Venezuelan association of food pro-Gross domestic product

1994 financial crisis, now their provisions accordingly.

Even Francisco Debera superintendent of banks this week said interest rate above 60 per cent repre-sented "a critical situation for the banks".

Political and fiscal uncertainty is likely to continue, thus maintaining pressure on the bolivar.

The possibility of a win in December's presidential elections for Hugo Chavez, leftleaning former coup leader and front-runner in opinion polls, is unlikely to diminish. Equally, the government's financing plans will not be in place for several months.

The underlying problem is credibility and Venezuela's record of repeated devaluations to cover fiscal deficits.

Despite repeated denials of an imminent devaluation by President Rafael Caldera, many Venezuelans swap their pay into dollars or spend it on durable goods. "Expectations of a devaluation will continue regardless," said Mr Octavio.

Teodoro Petkoff, planning minister, admitted recently that raising interest rates further to ease pressure on the currency is inappropriate. Instead, the central bank is more likely to adjust the exchange rate band to allow for a more accelerated but still gradual, deprecia-

tion of the bolivar. "The government will do everything possible to avoid a devaluation," said one Carexpected their bad loans to acas broker. "The problem increase and were raising is, its options are becoming

start settlement talks with SEC colluded to keep spreads between buy and sell prices and Richard Wolffe unnecessarily wide.

Wall St firms

The Securities and Exchange Commission has begun settlement negotiations with a number of Wall Street firms related to allegations that they rigged prices on the Nasdaq stock market.

The negotiations follow decision by SEC officials investigating the long-running case, that "enforcement action is warranted", said one person with knowledge of the negotiations.

The SEC has in recent weeks been informing more than thirty Wall Street firms and approximately 100 traders that it is preparing possible sanctions against them that could lead to fines and other penalties.

People close to the negotiations stressed that they were at an early stage but that if successfully completed, it could lead to a settlement covering all investment banks involved.

The investigation dated back to 1994 when a study by two academics suggested Nasdaq dealers "tacitly collude" on prices. The study

Wide spreads are regarded as bad for investors because they deny them the opportu-

nity to pay a little less when buying a stock or receive a little more when selling. For dealers, the wider the spread, the bigger the profit. In December, the Wall Street firms, which act as dealers on Nasdaq, agreed to pay a total of more than \$1bn to settle class action litigation brought by investors. The investors had alleged that market makers at the

firms conspired from 1989 to

1994 to keep the trading

spreads between the buy and

sell price of 1,659 Nasdaq stocks overly wide. In 1996, 24 Wall Street firms settled with the Justice Department, which together with the SEC had begun probing the National Association of Securities Dealers, which operated the Nasdaq market. The firms agreed to strengthen management control of the Nas-

dag traders they employ. People close to the negotiations said that the SEC was seeking a settlement for

BUSINESSES FOR SALE

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Interested parties will be asked to sign a Statement of Confidentiality before the document is made available to them.

Argentine minister rules out run on peso

Argentina's economy minister, Roque Fernandez, has dismissed the possibility of a run against the country's currency - the peso amid signs that the financial system continues to

A "speculative attack against the peso is impossi-ble," he said in an interview. Measures to cut this year's spending by about \$1bn and freeze several ambitious pubcient to reassure internainvestors about

stand pressures stemming from the crisis in Asia. "We don't believe we have to take other measures. We don't see that there is a ández. Argentina was most exposed to the crisis in Asia through a possible rise in international interest rates,

savers in the country's currency and exchange rate

The neso has been tied at parity to the dollar under a monetary board system since 1991.

Bank denosits reached \$75.5bn by the end of June, giving a rise of 15.5 per cent in the first six months of the year. International reserves or some 4 per cent of GDP, also recorded new highs at He said that rises in capital the end of last month, rising

to \$23bn. As a result of high levels lic works projects were suffi- of liquidity, short-term interest rates have fallen from 9 per cent last October to less Argentina's ability to with than 7 per cent.

Argentina's stock market hard hit along with other emerging markets by the Asian crisis and international financial instability has also risen strongly in the last few days.

A rise in international interest rates would increase the cost of servicing the public debt, Mr Fernández said. The comments came as At present, however, he bank deposits, which fell by expected to meet a fiscal def-18 per cent during the 1995 icit target of 1 per cent of An IMF mission is due to "Tequila" currency crisis, gross domestic product, in visit Buenos Aires in the registered fresh growth, spite of lower than expected next two weeks.

Declines in commodity

prices are depressing export growth and higher imports have aggravated pressure on the external accounts. But Mr Fernández down-

played the significance of the current account deficit, which economists expect could exceed \$14bn this year, goods imports were clearly linked with flows of direct investment.

"If foreign direct investment falls then the current account deficit will fall." A new labour reform was

"probably not as great an advance as some economists expected," conceded Mr Fernandez. The new law, currently before Congress will limit the use of flexible short-term labour contracts. Changes to traditionally rigid labour laws feature among the list of conditions laid down by the IMF as part of a \$3.8bn extended fund facility agreed in February.

US tax reforms pass last hurdle

By Richard Wolffe in Washington

Congress yesterday passer the final stages of wide-ranging legislation to overhaul the embattled US tax With an overwhelming

majority in both the House and the Senate, the reforms of the internal Revenue Service now go to president Bill Clinton who is expected to sign them into law soon.

Senators yesterday voted 96-2 to back the final version of the new legislation, which offers taxpayers improved protection against IRS abuse. The House backed the laws by 402-8 last month.

The reform measures - the most radical changes to the IRS in a generation - establish new oversight of the agency and a restructured

It also shifts the burden of proof from the taxpayer to the IRS in many court cases, and allows taxpayers to sue for up to \$100,000 for IRS

MILLENNIUM MOST GROUPS EXPECT TO HAVE UPGRADED COMPUTERS BY END OF 1998

US optimism over 2000 bomb

Most US companies expect to

FI

published by Merrill Lynch, cent, the report says. the US brokerage, yesterday. Compliance costs are not cern they would be hit by expected to have a large compliance failures in supeffect on US corporate carn- pliers and customers. Some ings - though there could be said problems could be acute some revenue shortfall in if government agencies and will put on brakes". She says the short term if operations regulators fail to comply.

By Tracy Corrigan in New York are affected. In the US commercial banking sector the median company's estimate computer systems to deal cent higher than a year ago with the millennium bomb and represents almost 3 per by the end of 1998, but are cent of total 1997 expenses. reporting higher compliance But a further 50 per cent costs than outside the coun- increase in estimated costs try, according to a world- would only reduce 1996 earnwide survey of companies ings estimates by about 2 per

the complexity of networking and interfacing systems have finished upgrading of compliance costs is 33 per increases the potential for a year 2000 meltdown, but Merrill believes the complexity and dispersion of these systems, is "insurance against a complete shutdown of commerce when the millennium starts". Jeanne Terrile, the analyst Companies expressed con-

view believes "there won't

be a domino effect, because

there are lots of switches

throughout the system that

modern management prac-

tice has exacerbated an Many observers have said essentially simple problem, for example with just-in-time inventory practices and out sourcing increasing vulnera-

nies surveyed, 72 per cent of companies expect to be compliant by the year 2000. In Indonesia and China fewer than half of the companies who wrote the report's over- surveyed expect to be compliant, while in India 97 per cent expect to be compliant.

> However, because many Asian banking systems are

> newly automated, they are

already compliant.

Apears in the Financial Times every Tuesday, Friday and Saturday. For further information, or to advertise in this section. please contact Melanie Miles on +44 0171 873 3349

حكذا من الأصل

Talks fail to end N Ireland deadlock

By John Murray Brown in Belfast

David Trimble, Northern ireland's first minister, last night warned the search for a solution to the Drumcree marching stand-off was "running out of time". He cited "elements here who will take advantage of the quite understandable protest organised in order to create mayhem".

His comments came amid security concerns that the

Drumcree protest could be swelled by thousands of other Protestant Orangemen ahead of the main July 12

The protest began on Sunday when thousands of Orangemen halted at a barrier preventing them continuing their traditional march along the nationalist Garvaghy Road. The barrier the Orange Order have had been erected by British soldiers to enforce an order of the independent Parades Commission. Orangemen and their supporters have

since been camping by the William III. barrier.

With extra British troops expected in the region today. tension is rising ahead of Monday's big commemorations of the Battle of the first meeting since the crisis Boyne, with reports that began with the organisaother marches will be cancelled and Orangemen lier warned "the weekend instructed to join their carries with it grave risks "brethren" at Drumcree. In for society in Northern the July 1690 battle, the freland". Protestant Prince William of Mr Trimble is understood Orange defeated the Roman to be seeking to persuade Catholic King James II of moderate Orangemen -

his Ulster Unionist party -to isolate the hardliners. As Tony Blair, the UK Many of them are linked prime minister, met Orange with the rival Democratic Order leaders in London yes-Unionist party, which terday, Mr Trimble stepped opposes the peace agreement up his efforts. He held his

reached in April. His comments were seen to be targeted at Joel Patton. tion's Grand Lodge. He earof the Spirit of Drumcree group and other hardliners.

Mr Patton said yesterday the Orangemen should use the crisis to bring down the new Northern Ireland assembly. Britain and became King many of them supporters of reacted angrily when Mr police said yesterday.

Blair repeated that the Parades Commission ruling on the Garvaghy Road would stand. But senior figures were quick to distance themselves from David McNarry, a Grand Lodge official, who appeared to threaten to "paralyse the country in a matter of hours" if the march was not let through.

In addition to arson attacks on property, almost 20 Roman Catholic families have had to be re-housed as

INWARD INVESTMENT HELLER CHIEF PREDICTS THAT RISE OF POUND TO DM3 LEVEL IS SHORT-TERM

German group may enlarge machine tool plant

By Peter Marsh in Loador

Heller, one of Germany's biggest machine tool companies, is considering further expansion at its UK plant to boost output of a "value for money" device made only in Britain and mainly for

The plan bucks the trend in UK manufacturing, in which output is falling as effects of the high pound. Berndt Heller, managing director of the family-owned company, said output from the plant at Redditch in the English Midlands could

expand to DM200m-DM300m (\$166m) a year from DM60m. The plant, which employs 130 people, exports its entire production to meet strong demand primarily in mainland Europe. Heller completed the factory in April to replace one built in the early

an interview at the compa-



Berndt Heiler, at the company's Nürtingen factory: "We are quite satisfied with our performance in Brit

Inquiries from Japan increase

Japanese groups have shown increased interest in the West Midlands region of England over the past year according to its ment agency, **Juliette** Jowit in Birmingham writes. There were a record 85 investment projects last year and a shift from manufacturing towards financial services and earch. The agency said the strong pound caused a fall in

ny's headquarters at Nürtin-"We are quite satisfied gen, near Stuttgart. The with our performance in strength of sterling in the Britain." Mr Heller said in past 18 months has put pressure on exporters' margins

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German projects. Paul Richards, agency director, said many inquiries were from Japanese car component suppliers for the new Honda plant in south-west England and Toyota plants in Wales and France. Officials in Birmingham also report a surge of interest from US companies since President Bill Clinton visited the city for the G8

but Mr Heller sees the rise in the pound to about DM3 as a "short-term phenomenon". He said he was "fairly confident" that Britain would

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decide before too long on joining the single European currency, due to start next year, with the pound's level probably stabilising against other main currencies

Heller expects to have worldwide sales this year of about DM500m. It is one of the world's biggest produc-ers of machining centres used to fashion metal parts with high accuracy. Its expansion in the UK was decided earlier in the 1990s as an alternative to expansion in the former East Germany. The new Redditch plant, which cost DM10m, has been used as a test bed for new techniques in flexi-

deemed too difficult to introduce at Nürtingen, where the company employs 1,400. Britain's lower labour costs were also an attraction.

Heller's new range of UKmade machining centres cost up to DM500,000, significantly less than most of the machines made in its German plant.

At present 80 per cent of the components for the UKmade machines are imported, some from the company's main German plant, in a move which offsets some of the disadvan-tages of the high pound. But Mr Heller said the company intended to bring down this ble working which Heller proportion to 40 per cent.

Blair opposes extra curb on

By David Wighton, Political Correspon

Tony Blair, the prime minister, is set to veto proposals to force utilities to share windfall profits with consumers by changing the system of price regulation.

Costa del Sol (Malaga).

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Close colleagues say Mr

Blair believes the current price cap regime - "inflation minus x", in which x is set by a regulator - is working well and automatic profitsharing would be against consumers' interests.

The decision to scrap the Labour government's long-standing plan will be welcomed by the City of London, which has warned it would undermine the incentive for efficiency and could raise companies' cost of capital. The proposal has also been criticised by the Confederation of British Industry, the employers' lobby,

and the utility regulators.

Margaret Beckett, the chief industry minister, has been an enthusiastic proponent of the idea, which featured in a government consultation document in March. It proposed introducing an "error correction mechanism" which would pass on to consumers windfall profits caused by "specific factors" outside compa-

nies' control. But at the insistence of the prime minister's office the document said the government would also consider Lex, Page 20

continuing to rely exclusively on the existing system of price regulation.

It is understood the responses to the consultation have been largely hostile. The CBI criticised the idea of "a formulaic and generalised" error correction mechanism which "could undermine the incentives for efficiency gains and innova-tion". But it said the regulators' powers to intervene in exceptional circumstances between price reviews should be retained.

The utilities have argued that such a mechanism should also allow unexpected cost increases to be

passed on to customers. Labour has significantly scaled down plans for the reform of utility regulation developed in opposition, with senior government members acknowledging that many early problems have been ironed out. But ministers are still

keen to examine ways of using regulation to restrain directors' pay. In the consultation docu-

ment, the government proposed ensuring a "closer link between directors' remuneration and the achievement of rigorous customer service standards". But the CBI has warned the government against giving regulators any direct role in executive

Mr Patton had earlier a result of intimidation, Industry relieved as interest

By Robert Chots, Economics Editor

Industry breathed a sigh of relief yesterday as the mone-tary policy committee of the Bank of England, the UK central bank, voted to leave interest rates unchanged at 7.5 per cent.

rates are

unchanged

"This decision clearly reflects the Bank's recognition of the weight of recent evidence in support of economic slowdown," said Ian Peters, deputy director general of the British Chambers of Commerce. "Any further rise would have been illjudged and plunged the manufacturing sector even deeper into recession."

Following standard practice when leaving rates unchanged, the committee offered no explanation for its decision, which followed a day and a half's discussion. Gordon Brown, the chan-

cellor of the exchequer, blamed the need for continued high interest rates on excessive pay settlements. He said the economic slowdown was necessary and defended his decision to hand responsibility for rates to the Bank. "We are moving the Brit-

ish economy from what has been an inflation-prone, stop-go or boom-bust economy in every cycle we have seen in the past, to an econtained and consistent and steady growth," he said. City of London economists

had narrowly predicted that rates would remain on hold. Short-sterling futures contracts increased sharply following the announcement. pricing in one more quarterpoint rise by the end of the

The pound rose 0.6 pfennigs to DM2.982. Analysts said it had been buoyed by expectations of a rate rise in coming months,

The committee had to balance evidence of weaker economic activity - even in the robust service sector against that of inflationary pressure in average earnings growth.

Ken Jackson, general sec-retary of the Amalgamated Engineering and Electrical Union, said the Bank had left thousands of factory jobs hanging in the wind by failing to rule out further rate

"The Bank has added to the climate of industrial uncertainty." he said. "Recent statistics show exports are falling, output is stagnant and the trade gap is growing, yet the Bank has

left industry unable to plan for the future." Kate Barker, chief econo mist at the Confederation of

British Industry, the biggest employers' lobby, said the decision struck "the right balance between concerns over inflationary pressures in the labour market and mounting evidence that the economy is slowing significantly.

Lex, Page 14

NEWS DIGEST

CANTRADE AFFAIR

Judge scorns appeal by jailed currency trader

Jailed currency trader Robert Young was told by a Jersey Court of Appeal judge yesterday that he was lucky to receive a prison sentence of only four and a half years for a fraud that had "a damaging effect on public confidence in the standing of the offshore centre". Richard Southwell said: "You were fortunate. The court could have imposed a sentence of six years [as the prosecution had sought] and, had it done so, it would have been unlikely that an appeal would have succeeded." Dismissing Mr Young's appeal, Mr Southwell said that there was no basis for reducing the sentence for what he described as "a clear breach of trust" and "a calculated fraud over five years. Eighty-four international investors lost \$10m in the currency deals carried out by 44-year-old Mr Young through UBS subsidiary Cantrade Private Bank Switzerland

Mr Young reported that he was making profits when he was incurring big losses. Cantrade, which has so far paid out \$3.5m in compensation, pleaded guilty to four charges of criminal recklessness and was fined £3m – the biggest fine ever imposed by a Jersey court. Philip Jeune, Jersey

PENSION FUNDS

Ethical investment law possible

Pension funds could be forced to consider ethical and environmental investment methods under proposals from John Denham, the pensions minister, last night. He said he was "minded" to change the law to require company pension funds to tell their members what their "ethical investment" policies are. The government is also considering a stamp of ethical approval for pensions. Mr Denham told the UK Social Investment Forum that if he changed the rules, "my officials will monitor the effects of the change to seek evidence that all trustees are considering ethical investment". The social security department said there was "no question" of the government forcing public sector pension schemes to invest a fixed quota of their funds "ethically", as in Sweden, Norway and Switzerland. "It would not be appropriate for a minister to advocate any form of investment strategy," the official in charge of developing the policy said. But he expects trustees to boycott many polluting businesses and other "unethical" investments once they realise it is within the law. Most trustees believed it was illegel to take ethical considerations into account. James Mackintosh and Jane Martinson, London

PORT OF LONDON

Warning on expansion potential

Further expansion of the Port of London, the UK's busiest port, will be hampered unless steps are taken to protect vital sites along the river from housing and leisure development, the Port of London Authority said yesterday. The port handled 43m tonnes of cargo last year, excluding aggregates and expects volumes to rise by 56 per cent to 67m tonnes in 2020. The port handles 10 per cent of total UK seaborne trade, including eggregates, and provides direct and indirect employment for 37,000 people. It covers 150km of the tidal Thames from Teddington in west London to the sea, taking in large terminals such as Tilbury. It comprises a total of 110 cargo terminals - of which only 78 are currently in operation - which handled 30.427 vessel arrivals and departures last

"The river is increasingly being seen as a backdrop for new developments," the port authority said. "Riverside sites are being redeveloped for mainly residential, business and leisure uses. Charles Batchelor, London

MPs rebel over Murdoch press

The government suffered an embarrassing revolt over news paper predatory pricing in the House of Commons late on Monday as 23 MPs in the governing Labour party challenged the marketing strategy of Rupert Murdoch. Several senior Labour MPs defied government whips and backed an amendment designed to stem the power of Mr Murdoch. His papers include the Sun and News of the World - respectively the top-selling daily and Sunday papers - and The Times. Voting on the amendment was 301 votes to 68, a government major ity of 233. But it was the third-largest backbench rebellion since Labour took office in May 1997. The rebel amendment called for a lower "significant ownership" threshold in the definition of newspaper market domination to make it easier for competition authorities to investigate predatory pricing and fine offenders. Liam Halligan and David Wighton, London

MILLENNIUM CELEBRATIONS

Officials to examine dome use

17'S A WATER COMPANY— COULD IT BE TURNED UPSIDE DOWN AND USED AS A DESERVOIR?



Tests the government will apply to decide the millennium dome's use after 2000 were announced yesterday by Peter Mandelson, minister without portfolio. He was appearing before the House of Commons culture committee for the first time since it warned last December that the £758m (\$1.2bn) dome in south-east London was a "journey into the unknown". Yesterday he assured the MPs he knew where it would lead. He announced that a working party of officials had been set up to examine the structure's iona-term use. It will make a preliminary report

to the prime minister by the end of the month. There had been expressions of interest in sport, leisure and commercial uses for the dome, Mr Mandelson said, including a proposal by London First, the capital's private sector group, to turn it into an international convention centre. Ministers will make no decision on a sale until 2000, hoping its value and potential will have become clearer. Brian Groom, London

Bus modernisation boosts vehicle sales

UK truck registrations: June 1998

Voltage W. M. 420 267 1880 1880 28,510 28,510 1880 1880 2,510 1881 17,511 44,4 68,9 69,6 682 545 21,1 17,5 5,182 219 28,2 28,2 1,531 5,7 22,8 22,8 1,531 14,5 12,5 13,8 17,2 28,1 14,5 15,6 4,004 31,2 18,5 16,8 Lentarul Day (Pacous*) 596 71.1 163 9.1 3.130 31.7 122 152 319 65 7.1 98 - 2636 161 103 103 572 75 62 97 2730 362 83 83 372 75 82 17 2130 362 83 83 265 285 45 45 1577 388 54 54 178 853 3.9 27 3.043 SLA-4.1 4.1 Please also takes Police. --- tradition heart. Fate and Sed

Motor Industry Correspondent

Privatised operators

modernising Britain's ageing of light commercial vehicles buses helped push sales of new commercial vehicles up by 27 per cent to 25,171 last month. Bus sales increased by

nearly 35 per cent, raising registrations in the first six months of this year by more than 15 per cent to 2,476. The buoyant bus figures were one facet of a strong month for commercial vehicles, with sharp rises in

tions of trucks of more than 3.5 tonnes jumped nearly 27 per cent to 4,520, while sales were up by more than 28 per cent to 7,033. Total commercial vehicle registrations in

149.592. The figures suggest coneconomy – despite the slowdown in manufacturing and indicate business

every category. Registraretailing and distribution Manufacturers also pointed to the increasing number of financial packages available to operators, many from tied financial service groups. Intense competition has also led to particularly keen pricthe first six months climbed ing for many products. by almost 13 per cent to The increase in bus sales,

a feature of commercial vehicle registrations for tinuing buoyancy in the some time, reflects the venerable age of Britain's bus

Some 55 per cent of the remains strong in truck- UK's 79,000 buses are more dependent sectors such as than 10 years old.

SIEMENS

Arms and the manure expert

Lucy Kellaway sips champagne with a chairman too busy to read or play tennis

In my handbag is a the name wrong. card. On one side it
says Sir Colin Chanthan others, but all had one On the other side the name the joke was always some-

hand in blue-black ink. manure. He and his wife muddled someone's name. own an original Gertrude. He is a superb salesman, Jekyll garden in Surrey, and good at judging his audithere is nothing he likes ence, and particularly good more than shifting the muck at selling things to foreign from one terrace to another. ers. The Rolls-Royce sale Unfortunately, his other life as chairman of Vickers has deals, the most famous being been interfering recently. Since last September he has been so busy selling Rolls-Royce Motor Cars that

he has had no time off at all. Yet the man who I had lunch with at The Capital Hotel round the back of Harrods looked like someone for whom life was pretty easy. enjoying himself.

"You spend a lot of time eating, so why not make the most of it?" he said cheerfully. "You know what I normally have? A glass of champagne. And if it goes well, and we want another -

According to this system the lunch did not go well: the prospect of a second glass was never mentioned. Yet Sir Colin showed no sign of finding the event tiresome. Far from it. He settled each told with gusto. How drunk on a business trip to Finland was wine. How one (well-known) ex-boss tried to ingratiate himself with a clifirst name, only he had got said.

dler Chairman Vickers plc. thing in common: the butt of been written in a strong fectly obvious, even on the briefest acquaintance, that Sir Colin knows his Sir Colin would never have the multi-billion Al-Yamamah arms sale to Saudi Arabia which he clinched when on secondment to the Ministry of Defence and for which he was knighted.

So what was it like negotiating with VW and BMW? "Ya! Ze Tchermans!" he said, in a stage accent, and Tanned, friendly, and laughed. This was delightrelaxed, he seemed intent on fully un-PC, but I wondered: was it wise? Does he speak other." German, I asked. No, was the answer, although he

pagne, he told me the secret of being a good negotiator. "Be fairly humble," he said. "People will try to appeal to your ego. It is disarming. You may be tempted to say things. You should not make of a garden compost has one else. But then it was per- too many emotional displays. If you go over the top emotionally, you have to climb down."

It is hard to imagine Sir Colin ever going over the top emotionally. He seems a cannot recall a time when he ers. The Rolls-Royce sale was ever under any. "I real-was the latest in a series of ise that it is a job," he explained. "It is a profes Something you are paid to

> Sir Colin has recently spent some time acquiring ager: he and his team have just been through a corporate group therapy session.
> "I personally didn't find it too bad," he boasted, "but some colleagues did. We bared our souls to each

He proceeded to say somefun bits, leaving Mr Buysse thing that made me wonder to get on with the nit-

'The people who have disappointed me at work have not added value. I have said to them:

I don't need you. I can do that'

into thinking that the vodka handy. Despite this language deficiency, one could imag- do that." ine his counterparts looking into the clear blue eyes of this Englishman, and being ent by calling him by his inclined to believe what he

gezeichnet (excellent) and had really rubbed off. The Das ist nicht genug (that is people who have disapnot enough), both of which pointed me at work have not how little she sees of him. some colleague was fooled had apparently come in added value. I have said to them: I don't need you. I can

> Is he finding it hard, I new Belgian chief executive? lived 25 miles away." "Yes." he admitted at once.



Sir Colin: 'I never get enough solitude. I want to stick my feet up and read a book'

"chemistry" between them right.
was excellent, and that they "Milkman," he repeated. had firm rules on who does what. As he told it, it sounded as though he would remain in charge of all the

ty-gritty. The problem with his life, he suddenly said, is that he lifelong rival. does not get any time on his own. "I never get enough Dick is that he has matured sert. "Well chosen!" he consolitude. I want to stick my feet up and read a book." At is pleasing, as British Aero-Fridays when his diary per-

He also would like to wife, who is not happy about

still looking happy. "It's very healthy. If she stopped moaning, I'd start worrying asked, having given up half and realise we've got the of his job to Paul Buysse, the same milkman when we The same what? I asked,

but then insisted that the unable to believe I had heard told him I couldn't work

We both paused to admire between you and me is that I an elegant dish of sea bass could work for you but you and black beans, and cagily I couldn't for me brought up the subject of Sir Dick Evans, the boss at British Aerospace who beat Sir to a meeting in the City. Colin to the top job there and who is supposed to be a Excellent!" he said swallow-

"The great thing about enormously. Enormously. It fine choice of restaurant. the minute, his only leisure space is important to the Does he enjoy talking is playing tennis at 7am on nation." Sir Colin said, his shareholders, I asked. sounding more than a touch

patronising "People don't believe this Raymond Lygo. He said: you "She moans a lot," he said, are a candidate for chief half he had not given a executive. I said: I don't single one. think so. You should go and hire Chris Hogg - one of the

power mad. me about the "When Dick got the job, I in the world.

cious. He said the difference

and said that he must get off "That was good, wasn't it? ing the last of a dainty and

Does he enjoy talking to "Sometimes," he replied and then corrected himself. "Look. I don't want to give spend more time with his of me. When I came out of you too many ambivalent the MoD, I went to see Sir answers," which was strange, as in an hour and a

> He got up to go, and out came his card and his founbig hitters. But no one tain pen. In the manner of believes me. They think I am one trading secrets, he told

MANAGEMENT INCREASING PRODUCTIVITY

The inner voice's successful sound

Productivity is not only about efficiency, theorist Richard Lester tells Victoria Griffith Everyone is talking formance will not depend, he productivity is just effiabout the Goldilocks says, on short-term effigeonomy in the IIX - simes order to the says and the says of th

economy in the US low inflation, low unemployment and a soaring stock market - but, according to management theorist Richard Lester, companies will have to run their organisations more intelligently if any of the gains are to be

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long-lasting. Low productivity growth, according to Professor Lester, is the tell-tale sign that most corporations are not managing up to par. Since the early 1970s, he argues, US productivity growth has been stuck in low gear, averaging about 1 per cent a year, compared with an average of 23 per cent annually during the previous century. These numbers are the biggest obstacle to a large improvement of the American standard of living. There has been some reason for optimism during the past two years, but Prof Lester growth will stall unless companies change their ways.

Improving companies' per-

ciency gains such as downsizing and inventory control. Corporations need instead to listen to their "inner voice" their employees.

Some of the themes in his book. The Productive Edge*. repeat those of the bestselling Made in America he co-wrote with his colleagues from the Massachusetts Institute of Technology nine years ago.

Prof Lester may have a harder time selling his particular brand of pessimism this time. But his soft approach to corporate and public policy may sit more readily with managers whose main concern is attracting - not getting rid of - workers. Some years ago, "Chainsaw" Al Dunlap's hard-as-nails philosophy which entailed massive layoffs to improve efficiency looked smart. Now, as Mr Dunlap's recent loss of his forecasts that productivity job as chief executive of Sunbeam indicates, acting ruth-

in productivity you need to mously popular model. do new things in new ways: find new markets, invent new products; in short, you need to be innovative.

expert recommends devolving more power to workers to unleash their innovative spirit. He points to cases



"People tend to think that Lester: soft approach to policy

"It's not. To get a large boost turned out to be an enor-

"The heart of the Saturn organisation is an experiment in labour-management co-operation that is unprece-The MIT productivity dented in the modern history of US industrial relations," Prof Lester writes. "At every level of the corporation, from the president on down, the local United Auto Workers Union is a full partner of management in decision-making. The union, in effect, is co-managing the

> It is because of worker empowerment, Prof Lester argues, that the US manufacturing sector has experienced a productivity surge this decade. During the past 12 years, manufacturing has been the only bright spot in an otherwise lacklustre productivity scene.

For worker empowerment to be effective, he argues, companies must carve out an identity that all employees understand. Corporations' "core beliefs" function

as the glue that holds the pay for each year worked. organisation together, and and \$6,000 in benefits. even when they are not

given specific directions. "Corporate success is more likely to happen in compation about something: it doesn't matter what it is, as long as it's strong and felt at all levels of the organisation," says Prof Lester. As proof, he cites a 1994 study by James Collins and Jerry Porras of Stanford University, which argued that the Levi's are inspiring, but greatest determinant of suc- sceptics may point out that cess for a corporation is its neither General Motors nor

adherence to core values. One value must be fairinnovative." He does not foresee a return to lifetime employment, but points to ing to lend a helping hand. humane ways of dealing with hard times. Levi Strauss, the jeans maker, took a soft approach when it

Corporations, however,

cannot be counted upon to provide the entire social cushion necessary for workers to operate in the new nies that have a deep convic- economy. The US government will have to step in, he believes, with a safety net. This should include a good public education and transferable health benefits.

Prof Lester's arguments are not always convincing. The stories of Saturn and Levi Strauss has been particularly successful in recent ness to its workforce, Prof years. Safety net questions Lester he says: "If employees are also difficult to come to don't feel some sense of terms with. In today's buoysecurity, they won't want to ant US economy, many cortake risks, which is necesporations seem willing to sary to a company's being provide one. If employees truly need a support system, companies may be less will-

*The Productive Edge, published by W.W.Norton, \$29.95, available from FT Bookshop. laid off 6,000 workers last FreeCall 0500 500 635 (UK) or year. They were given eight +44 181 324 5511 (outs months' notice, three weeks' UK). Free p&p in UK +44 181 324 5511 (outside the

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NORMA COHEN

Return of the aggressive lenders

There is a perception that there is far too much easy money now available to US real estate developers and that underwriting standards are slipping

"Anyone who lived through the last cycle," say the analysts at Green Street Advisors, the independent property share research company, "probably shares our view that the term 'disciplined lender' probably constitutes an oxymoron."

The Newport Beach, California based analysts, in their May 1998 "Heard on the Beach" newsletter, go on to detail alarming anecdotal evidence of far too much easy money available to US real estate developers.

In particular, they note the explosion in issuance of commercial mortgage backed securities (CMBS). asset-backed bonds that have enabled borrowers to fix their costs long term and cut interest rates. New US CMBS issuance this year is projected to total \$50bn (£50bn), much larger than

the \$45bn in asset growth projected for the entire publicly traded property

"Lenders are paid to make loans," Green Street says. "And when the loan officers w<u>hose</u> bonuses are contingent on originations are given the green light to

do business with developers. it is akin to bringing a keg of beer to a fraternity house." Still worse, CMBS originators are far removed from the eventual investors who will buy the securities and all the potential watchdogs - rating agencies and investment banks -

will urge caution, Green Street notes. The Federal Reserve Bank, it seems, has similar concerns about the availability of loans to

profit as issuance soars,

property, expressed in a more restrained fashion. In a report last week it concluded that there has

been slippage in banks' loan underwriting standards. Although there was no 'significant deterioration" in lending standards generally, the examiners concluded "there were particularly clear indications that pricing became more competitive

between 1995 and 1997". The examiners, who looked at a wide variety of loans besides property credits, also found that lenders failed to consider 'worst-case or downside projections".

making it unlikely that they The examiners looked at 91 property loans at large US anks. Among their findings were that in the past two years, the average size of a loan has increased: that office-related property loans

are more likely to be priced over the London interbank offered rate (Libor) rather than the much higher US prime lending rate; and

origination and other fees on loans have fallen as well. However, the news was not all bad. The erosion in loan-to-value (LTV) ratios was somewhat offset by an improvement in underwriting rigour.

The Fed makes it clear that far more money is available to real estate than it was two years earlier. In the UK, where property prices have risen sharply. lenders are also aggressively seeking business.

This week, a report commissioned by FPD Savills and conducted by De Montfort University, Leicester, on UK commercial property lending, concluded that fierce competition in

property lending has eroded margins and underwriting standards. The optimism pervading

the UK property market in recent years, the report notes, "has translated into fierce competition between lending organisations which has seen the erosion of lending terms and rekindled fears that a boom and bust scenario similar to that of the late 1980s is about to be repeated".

Bankers readily admit that the growing confidence in the property sector is sourring competition to lend, and margins are eroding.

"We are in a state of flux," notes one German banker. 'A number of our loans have been refinanced at terms which we really could not

match." However, they say there are still no signs that credit is extended foolishly. "What is happening is that

a lot of competition is eroding margins," says John Carrafiel, head of European real estate at investment bank Morgan Stanley. "But they are not making reckless loans." Mr Carrafiel argues that the US Fed is needlessly concerned about the rise in unsecured lending to Reits.

"These are operating companies and operating companies know how to borrow unsecured," he says. Reits should not be expected to borrow against their assets any more than other companies.

Meanwhile, loan covenants, such as net interest coverage are as

strong as ever, he says. But it is a sad feature of every property cycle that lenders eventually forget the lessons of the previous turn. Disciplined lending may too easily become the oxymoron Green Street already suspects it to be.

going to become the global market leader in enterprise computing?

Blatter

weaken

moves to

his rivals

There is nothing worse than a family fall-out, and the feuding in the Fifa family as world football's governing

body likes to call itself -

when Sepp Blatter was elected president last month

When Blatter was ques-

tioned after his victory about allegations of electoral

chicanery, he replied: "The

Yet as Blatter well knows,

the game has only just

begun. Yesterday's meeting

of Fifa's executive commit

tee - in effect its board of

directors - with an agenda

dominated by administrative

reform, was the first big test.

Blatter and his right-hand man Michel Platini have

been omnipresent through-

out France 98, working the

corridors of the football

elite's five-star hotels, press

receptions and big-match

venues. Blatter's electoral

pitch was: "All for Fifa, Fifa

for all", and he has been at

pains to show that he is

much more than a puppet of

was as bad as it gets.

match is over now."

TAFFAREL PRESSURE BETWEEN THE POSTS

Keep calm and cover all angles

Tim Vickery on the Brazilian keeper set to complete his third World Cup finals

most daunting job in sport.

There are few opportunities to shine, but one slip can destroy the dreams of 150m people. Barbosa, the keeper in the 1950 final, has never been forgiven for the two Uruguayan goals that cost Brazil the Cup. Manga had to leave the country alter a poor performance meant a first-round elimination in 1966.

Taffarel knows all about this pressure. The hero of Tuesday night's win over Holland is now one game away from completing three World Cups; even so he has to take a deep breath before explaining how he copes.

"It's a question of balance," he says. "The fundamental thing is to keep calm. A keeper must never get too excited when he has a good game, and can't let his head drop when he makes a mis-

Brazil's number one has had his temperament fully tested by prolonged exposure to both ends of the emotional scale. Hailed a decade ago as the golden-haired boy of Brazilian goalkeeping.

Keeping goal for Brazil in a Taffarel had an outstanding World Cup is probably the World Cup in 1990. A point-blank block from Maurice Johnston's last-minute strike ensured Scotland's elimination, and a flying save from a Diego Maradona free kick brought applause from the Argentine.

Taffarel drew praise from Henry Kissinger, who claimed that Brazil had at last found an outstanding goalkeeper. Yet a diplomat would describe the following

few years as disappointing. Taffarel's move to Italian club football with Parma proved to be a frustrating experience. Only three for-eigners were allowed in the team, and because key players included Thomas Brolin, Nestor Sensini and Faustino Asprilla, Taffarel spent much of his time sidelined. A compulsive trainer, the

enforced inactivity seemed to take the edge off his game, and for a while his place in the USA 94 team was in jeopardy. In the event Taffarel fought off the challenge of the erratic Zetti, and his calm assurance was crucial in the World Cup final against Italy.



After spending much of the game and the tournament as a virtual spectator, he was finally called on to earn his money. His concentration held, and he pulled off vital saves both in the match and the penalty

shoot-out. But even a World Cup winner's medal was not enough to guarantee him a firstteam place in Italy, and in 1995 Taffarel returned to Brazil to join Atletico Mineiro. It was not a happy homecoming. Almost immediately he withdrew from the national team after the head of Brazil's football association criticised his efforts in

the Copa America. At the start of last year he announced his willingness to return, and coach Mario Zagallo had no hesitation in giving him his place back.

It was a much criticised Zagalio made it clear that whatever happened at club level Taffarel, now 32, was move, which seemed all the more bizarre a few months Brazil's first choice. What ago when Taffarel lost his club place. The bright but appeared to be perverse obstinacy now stands complicated Emerson Leao. revealed as a masterstroke. Brazil's goalkeeper from the Zagallo has always placed 1970s, took over as Atletico

'A goalkeeper must never get too excited when he has a good game, and can't let his head drop

when he makes a mistake'

coach and dropped Taffarel high value on experience in for "technical deficiencies".

All Brazil was calling for a over as coach shortly before new keeper, but Zagallo held firm. Not for nothing is Brazil's coach the only man involved in all four of their World Cup wins.

the 1970 World Cup he ed no time in confirming the veteran Felix in goal over the promising young Leao. The rationale was that

although Felix was not particularly good, the occasion was unlikely to make him

Zagallo also has good resson to remember how the giant Dida buckled under the pressure of the 1996

Despite his lack of height, the 5ft 11in Taffarel has usually come up big when it matters. He appears to grow with the responsibility. Holland's Edwin van der Sar is the tallest keeper in the World Cup, but on Tuesday night Taffarel seemed even

His calm "seen-it-allbefore" demeanour has been even more important this year: Brazil are fielding their weakest World Cup defence since 1982, and without his semi-final saves the dream of the fifth win would be over.

Now Taffarel stands on the verge of emulating Gilmar, Brazil's World Cup winning keeper in both 1958 and 1962.

The impression is that Taffarel was not completely confident about being in this position. Earlier this year he egan touting himself for a move abroad. England's West Ham showed an interest, but he eventually signed for Galatasaray of Turkey. Taffarel seemed very keen to get the deal done before Brazil's World Cup campaign pnfolded

His market value would have risen after Tuesday's performance, but that was not a risk Taffarel was pre pared to run. He appeared to be taking out an insurance policy against a possible failure by Brazil.

As usual, Brazil's keeper was covering all the angles.

João Havelange, the former president who backed his candidacy. Behind the public persona as the accessible face of the people's game worldwide,

Blatter's top priority is to undermine the power that

his defeated rival, European football chief Lennart Johansson, wields on the executive. The numerical dominance

of the Europeans, with their allies in Africa and Asia, was seldom a problem for Havelange: in characteristically imperious style, he would simply ignore the executive if it moved against him. In this respect at least, Blatter is right when he says 🌦 he is no Havelange clone. He will find it much more difficult to intimidate the executive, when more than half its members probably did not

support his election. Immediately after the poll, Johansson's camp still held a majority on the executive. There was even talk of an inquiry into the circumstances of the secret ballot of

Fifa's member federations. But as Blatter worked the corridors, holding private meetings with former opponents, including Johansson himself, cracks began to appear in the anti-Blatter alliance. Going into yesterday's meeting, it was by no means certain that out of 24 members, Johansson's 16strong pre-election camp could be mobilised en bloc in

any challenge to Blatter. The main agenda items reflected Blatter's desire to reform Fifa's structures in such a way as to consolidate his control over key decisions. The standing committees are to be reviewed, and the terms of reference of the executive committee recon sidered.

A new, "permanent" executive board will be constituted - a small inner circle that will deal with most of Fifa's everyday business. This will rob the executive committee - the members of which are elected at regional level - of much of its constitutional power.

Alan Tomlinson

Top assets in the shop window

David Owen on the risks and rewards for the clubs with players at France 98

Cup is bad enough if you are closely. a fan. It must be worse for the chairmen of top clubs, whose most valuable assets are on display to the world

and, hence, at risk. If all goes well, these players may star, enhance their chosen for the national value and attract more people to their clubs in the club," says an official at

The London side Chelsea, for example, must be pleased mances of its new signings – Brian Laudrup of Denmark and Marcel Desailly of France - although Spanish lefender Albert Ferrer was less than impressive.

But equally, they may flop, as Jaap Stam, Manchester United's expensive new defender was in danger of doing before his excellent semi-final performance this week for Holland against

Still worse, they might get injured, like Alessandro Nesta of Lazio and Italy, or Winston Bogarde of Barcelona and Holland.

in fact, France 98 has been marred by mercifully few serious injuries and clubs are no doubt grateful for the crackdown on tackles from behind, which was instigated by Fifa, the game's governing body.

But players inevitably pick up a variety of niggles and bruises in a tournament of such duration and intensity. Officials at Inter Milan must following the saga of their star Brazilian striker



CLUBS HONOUR MAY NOT BE ENOUGH COMPENSATION FOR OFFICIALS BACK HOME

which had players in the at France 98, as well as in its national side. But even Aiax acknowledges this recognition has associated inconveniences. The official says 1996-97 was a terrible season for the club, partly because of the friction that affected the

Dutch team of recent times,

Dutch national squad participating in the 1996 European An official at another leading European club with several players on show at the World Cup is more blunt. "There cannot be many organisations that are willing to give up assets worth millions of pounds without getting anything back and

says. Presumably the top people at this club would have preferred it if its leading international stars could have spent the summer lying on a beach rather than plying their trade against the world's best in French soc-

with a chance they may

come back damaged," he



injury against Austria that put him out of the tou

treasurer of Barcelona, the top Spanish club, suggests the World Cup may even be a mixed blessing for "buying clubs" such as Barcelona when players play well. This is because the tournament may "increase the price of the players they might want

to buy". On the other hand, the World Cup is "a shop window" for the players at clubs such as Barcelona, which had individuals in several France 98 squads, including Brazil, Holland, Spain and Colombia. If the profile of

such international stars is enhanced by the tournament, organisations wishing to hire Barcelona for one-off matches might be prepared to pay more. Tusquets also says the

level of performance of players involved in the World Cup normally drops after the tournament. But "the requirements for training and non-official matches of the national team will diminish".

By the same token, the players who have starred for their clubs in the previous adequate compensation?

performers. Players from Real Madrid, the current European club champions, have on the whole disappointed in France 98, as underlined by Spain's early exit. One exception to this rule has been Davor Suker, the Croatia striker, who has enjoyed a brilliant tournament. But Suker was often not in the Real Madrid starting 11 in the 1997-98

season are not always the

most impressive World Cup

est that the World Cup is not the good opportunity for scouting out new talent that once was. "You are too late when you are scouting at the World Cup," says the Ajax official. "The under-21 championships are where the scouts are. There are even more scouts than

Jon Smith of First Artist, the UK's biggest Fifalicensed football agent, says clubs are more cautious than after the last World Cup in the US in 1994. "Four years ago, it was 'Let's just buy them'," he says. "Now people are a little more wary, saying 'let's look beyond just what they did here'.

In short, France 98 has done nothing to undermine the view that top club and international football are becoming increasingly incompatible. How much longer will decision-makers at leading clubs be prepared to lay their most valuable assets on the line without

STATISTICS

Batty scores on dribble rate

statistics. Cricket had averages when W.G. Grace was at the wicket and if the good doctor did not know his own, you can be sure someone else did. Athletics has been in love with the numbers game for years and American football was founded on the principle that there is no such thing as a list too many.

in the past month, footcatch up. Enough statistics have been generated at France 98 to fill a library of Wisdens. But in the headlong charge for information, it has not always been the most useful data that have been thrown our way.

Were you aware, for example, that David Batty had a 100 per cent dribble rate in the England-Argentina game? Did even the Argentines know that? The figure can be found in the Carling Opta statistics for the match. There it is in black and white: David Batty, dribbles 1, poss lost 0, dribble success 100 per cent. What a marvellous game he bad – until that missed penalty, of course. Some figures are more

intriguing, a few because they seem so unlikely. Can it really be true, as Carling Opta states, that Argentina completed 497 passes successfully (from 587) during a game in which the comparable figure for England was a paltry 183 (from 264)? Juan Veron, not Ariel Ortega, was

Football has come late to statistically the pivotal Argentine, passing to a team-mate 89 times, while losing possession on only 12 occasions. By contrast, the England player with the greatest number of passes was Paul Ince, who was successful with 24 from 28.

The "dynamic method" of analysis, found at the Softsport web site (www.softsport.co) does not concern itself with numbers but with where a player spends his time during a game and is presumably for those people who cannot be bothered to watch the match.

It is not especially useful as regards England goalper David Seaman, since all the dots, bar two, join up to make one big blob. But such analysis might have warned France before the semi-final against Croatia that Davor Suker does angle his runs from the right as well as the left. That could have saved 60m people about 60 seconds of anxiety Sadly, the one statistic

that everybody would love to see is not being compiled. This index would show where each player's shirt was pulled, who perpetrated the crime, at what point in the game and where on the field it happened. The results could be sent to Fifa and it might finally act to end the epidemic. Or not, as the case may be.

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A more productive way of working

John Sugden

A new hero for the White Nights

Valery Gergiev has given Prokofiev's long lost opera fresh life, says Andrew Clark

nearly 50 years after his chorus and soloists, who posers should remain almost have it in their blood. I am fiev's opera Semyon Kotko is each question. A more conthe work I have in mind.

novelia by Valentin Katayev. Philips and a staging which principles and theories to it was composed in 1939, first Gergiev has promised for the suit Soviet arts policy. The performed in Moscow in 1940 near future. and recorded, extremely poorly, by Melodiya in 1960. Since then, this large-scale rity has fallen by the way- no stranger to Prokofiev's ences today.

Gergiev at this year's White Lenin, Stalin, Marx) at the burg, was an experiment of purpose with Semyon Kotko unusual significance. Would was the same - to demon-the music be good enough to strate that Prokofiev's music carry the embarrassing Does the opera have a palpable integrity? Is it a work of sian history.

Gergiev has championed

the eloquence of the Mari- his Mariinsky debut 20 years

It is extraordinary that, insky Theatre's orchestra, sidered judgment must await

Semyon Kotko is an ideal festival project, and it brought the White Nights to ducted the Cantata for the So the concert perfor- 30th anniversary of the Octo-mance conducted by Valery ber Revolution (texts by 30th anniversary of the Octo-Nights festival in St Peters- Lincoln Center festival. His overrides the political consuch works are part of Rus-

Influenced, no doubt, by Prokofiev's operas ever since

ago with War and Peace, but tered Glinka's A Life for the he was not aware of the Tsar will have a sense of potential of Semyon Kotko déjà-vu in Semyon Kotko. Set whelming impact, and it's skyan comedy. There is vain to get The Gambler and The Flery Angel accepted in Based on a Stallnist the expected recording from the west, he adapted his

until Sviatoslav Richter, the in Ukraine during the post- hard to see how the rest pianist, recommended it revolutionary civil war, it could be anything but an score, least of all its use of death, a major work by one learned the work at six shortly before his death. tells of a Bolshevik peasant's anti-climax. The ending accordion and sleigh bells, of this continued and sleigh bells, and shortly before his death. of this century's great comweeks' notice but seemed to Semyon Kotko signalled a heroic resistance to blackmight have been stronger if change of direction for Pro- hearted counter-revolutioncompletely unknown. Prokotempted to answer 'yes" to kolley. Having struggled in aries and German insurgents - whose chief collaborator, Tkachenko, is the wealthy father of the girl Semyon With three hours of music

There is nothing formulaic about this product of Prokofiev's matu- a worthy climax. Gergiev is score, least of all its use of accordion side, and the Soviet fervour unfashionable scores; two and sleigh bells, its suspense-laden of its choruses is hardly calyears ago he created a stir in culated to appeal to audi- New York when he con- string ostinatos, its brutish German

caricatures and polyphonic chorales

tionalistic, and the dramaturgy made use of blatant contrasts. Did this amount to a "deradicalising" of his claims? All it reveals is Prokofiev's underlying commitment to Russian classical

Anyone who has encoun-

melodies were simpler, the divided into five acts, it is a subject-matter more folk-na- large canvas. Its principal weakness is its brokenbacked structure: everything is put into the shade by Act 3, a deeply exhilarating crepatriotism of the libretto? tent, and to underline that style, as Opera Grove scendo describing the betrayal of Semyon and the nervous collapse this induces in his fiancée.

The Petersburg audience was stamping and cheering pleted a year earlier. More

the hero had died (as in Glinka's opera), instead of surviving to witness the triumph of Bolshevism; but any notion of tinkering with the libretto to make it more "acceptable" - an idea aired by Gergiev after the perfor-

mance - should be resisted. A semi-abstract staging could mask the gaucheness of the text. After all, Semyon was defending the people against their reactionary overlords, an allegory for the most turbulent periods of Russian history. The only case for disregarding what Prokofiev wrote lies in the choice of tempo: something more fluid than the prevailing moderato might lift the outer acts.

Much of the melodic/harmonic material of Semyon Kotko - notably the generous orchestral theme characterising the hero - comes from the same creative well as Romeo and Juliet, com-

its suspense-laden string ostinatos, its brutish German caricatures and poly-The 40-minute central act

epic, demonic quality which, whether Prokoflev intended it or not, characterises Stalinist terror as vividly as Shostakovich's most double edged scores. Did Prokofiev write anything more compelling than the six-note theme which acts as a motor for the whole act? Surrounded by a cackling trio of gossips Semyon's fiancée, Sofia. sings a long, lament-like aritaken up repetitively by the chorus, she decorates it in a frenzy of psychological disindescribe the impact

The parts simply leapt off the page. And it's only when you encounter an opera with such a large cast that you grasp the depth of the company's resources. Well-estab-lished singers like Mikhail

is a law unto itself: it has an

sang small parts. Viktor Lut- enjoys the opera's most lyrisiuk. St Petersburg's Parsi-fal, was the radiant Semyon. orchestra sounded formida-Tatiana Pavlovskaya a Sofia of touching innocence and searing intensity.

acted Tkachenko and story, and it deserves to be Evgeny Akimov's Mikola, retold.

POP EAGLE-EYE CHERRY

Kit and Alexander Morosov the naive young tenor who bly well-rehearsed, and Gergiev brought the colours and edges of Prokofiev's vast pal-Just as impressive were ette into focus. Semyon Feodor Kuznetsov's vividly Kotko is an extraordinary

Triumph over misery and complacency

Ballet CLEMENT CRISP Royal Ballet/La Bayadère

Coliseum, Loadon

Had it not been for the presence of Irek Mukhamedov as the Indian warrior hero. Solor, the Royal Ballet's account of La Bayadère, which opened the company's summer season at the Coliseum, would have been a miserable thing. The staging by Natalya Makaroya is boldly conceived, everywhere intelligent in revising a treasure of the Petipa repertory, and vastly chal-

Mukhamedov, by temperament and training, understands what the piece is about, what its conventions imply, how its emotions may be exposed. By dramatic power as compelling as the physical force of his dancing, he fleshes out a role which is, in its caddish indecisions. as shifting in its emotional ground which he is the finest interpreter I we may be made to know Solor's true to her, he must bow to social pressure and wed a Raiah's daughter. The progress of the ballet is, as Russians know, a matter of crime and punishment, and Makarova. wisely, restored the long-abandoned last act which rounds out the tale by crushing the wicked amid the ruins of a temple, and uniting Solor and his beloved

Nikiya in eternity. So Mukhamedov plays every moment with utter sincerity, never able emotion, weighting the least gesture so it resonates over the stage and fills out every pose. He fact of the character in this way. and we retain images of noble pride or agonised remorse: sum-

phrase shaped by his arm reaches to the furthest reaches of the theatre; haunted by the shade of his beloved, the arcs described by his dancing are massive in outline as in muscular pulse. Of course, the piece is conventional. Mukhamedov renews each and every predictable attitude, and Solor lives.

He was, indeed, the only participant in this otherwise under-powered performance who showed that La Bayadère is a fascinating work of art rather than a stall displaying shoddy Indian bric-a-brac. Viviana Durante's view of Nikiya, is thin in tone, uncommunicative, Deborah Rajah's daughter, is coarsely done,

Mukhamedov renews each and every predictable attitude, and Solor lives

have seen). He understands how and offers complacency rather than passion. Neither performer made crisis - loving a temple dancer and anything of the great emotional scene when they light - and fight they do, with every emotional weapon to hand and a dagger - for Solor's love.

The grand display of classical bravura which ends Makarova's first act - Petipa pulling out all the stops - was frightfully dainty, fearfully nice, and looked as if it had been left out in the rain all night. The six male dancers involved flapped and hamboozled their way through dances which demand exact and brilliant technique. The relying upon the stock or predict- cascade of Shades in the night scene were well-drilled, and rescued the Royal Ballet's name from dishonour. The conductor Valerii defines both feeling and the central Ovsianikov, from the Kirov Theatre, made much of the score.

Challenging: Deborah Bull and Irek Mukhamedov in 'La Bayadère'



On the sunny side of the bleak songs

ever longer in pop music stream musical sound. lately. While record companies fret about falling sales, the likes of Massive Attack. Radiohead and Pulp have been refining an increasingly dark and troubled sound. The trend is best exemplified by The Verve's Richard Ashcroft: the bruised romanticism of his lyrics is in stark contrast to the swaggering chirpiness of previous Britpop standards.

Desireless, the debut album of Eagle-Eye Cherry, a native of Sweden who spent his formative years in New York, chimes well with that mood.

A cursory glance at the song titles provides warning enough of the gloominess in store: "Permanent Tears", "Worried Eyes", "Shooting Up In Vain" and "Comatose (in The Arms Of Slumber)" ise a journey along the bleaker side of the emotional spectrum.

It is an impression given more credence by the lyrics themselves: even when turning his attention to affairs of the heart on "Falling in Love Again", Cherry opens with so thred of falling in love/ Finding it easier to fall out/ Can't deny it".

But however glum the lyrics, Cherry's music insistently takes the saccharine side of the bittersweet symphonies practised by the pop miserabilists. Desireless is composed of an unassuming, folk-tinged acoustic pop that revels in melodic choruses and smooth vocals. It will not rock the boat; however much lyrical undercurrents Toman may tug, it remains cheer-Ludovic Hunter-Tilnev

There is nothing wrong with the formulaic when the formula works well - and Destreless does contain aims achieve fruition. "Worried Eyes", a duet with his sister Titiyo, strolls along a laidback drum beat, overlaid delightfully by strings and slide guitar; "Comatose (In The Arms Of Slumber)" beguiles with its mixture of hammond organ and acoustic guitar; the title track, written by his father, jazz trumpeter Don Cherry. handsomely affiliates the latter's experimentalism with Eagle-Eye's more typical

Generally, though, Desireless suffers from an excess of familiarity. Songs rework the same gentle harmonies, while choruses swell at identles for a predictability that struggles to engage the attention at any meaningful level. These songs will doubtless be heard in shops and cafés, but this is an appeal that shirks the downpeat challenges posed by Cherry's lyrics.

These innocuous tunes then, cannot bear the freight of their weighty subject matter. Drug addiction, mortality and thwarted love are among Eagle-Eye Cherry's concerns: but the incongruously pedestrian pop at best negates them, and at worst reduces them to banalities. Though not of the genre, Desireless ultimately makes easy listening of uncomfortable themes.

INTERNATIONAL Tel: 36-1-375 7533

AMSTERDAM

EXHIBITIONS Tel: 31-20-673 2121 Drawings from the Golden Age: special display of 100 17th century Dutch drawings. Highlights include the first landscapes by artists such as Visscher, Van der Velde and Van Gogen; to Jul 12

Stedelijk Museum Tel: 31-20-5732911 www.stedelijk.nl Katharina Sieverding Retrospective 1967-1997: major display of photographic works by the German artist, to Jul 12

BRUSSELS DANCE La Monnale Tel: 32-2-229 1211 Ballet Frankfurt: in works by Jul 10, 11, 12

BUDAPEST Hungarian National Gallery, Buda

Jossef Rippl-Ronai; retrospective of the Hungarian post-Impressionist, comprising 250 works. Includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums: then transferring to Saint-Germain-en-Laye near Paris;

Museum of Applied Arts Tel: 36-1-217 5222 Zsolnav: Art Nouveau Ceramics. Display of 200 objects made between 1897 and 1918 at the family-owned Zsolnay factory in Pécs. Includes gobiets, vases and other objects. The museum itself, opened in 1896, is itself decorated with Zsolnay pyrogranite; to Sep 27

to Sep 6

EDINBURGH EXHIBITION Scottish National Portrait Gallery Tel: 44-131-624 6200 The Winter Queen: The Life of

Elizabeth of Bohemia, Includes around 50 paintings, plus a selection of engravings and medals; from Jul 10 to Oct 4

GLIMMERGLASS **OPERA** Alice Busch Opera Theater, Cooperstown Tel: 1-607-547 2255

Falstaff: by Verdi. New production directed by Leon Major with sets and costumes by John Conkin. Conducted by George Manahan. Cast includes Kevin

Glavin. Stephen Powell and Army Burton; Jul 11 Tosca: by Puccini. New staging by the team responsible for last year's Madama Butterfly: director

Marc Lamos, set designer Michael Yeargan, costume designer Constance Holfman, lighting designer Robert Wierzel and conductor Stewart Robertson;

GLYNDEBOURNE OPERA

Glyndebourne Festival Opera Tel: 44-1273-815 000 Rodelinda: by Handel. New production directed by Jean-Marie Villégier, with sets by Nicolas de Lajartre and Pascale Cazales. With the Orchestra of the Age of Enlightenment conducted by William Christie: Jul 12. 14 Simon Boccanegra: by Verdi. New production conducted by Mark Elder in a staging by Peter Hall, With the London Philharmonic Orchestra. The title role is sung by Elena Prokana; Jul 11

GRAZ DANCE Tel: 43-316-80080 Kirov Ballet in a three-week season. Performances include a Foldine evening (Jul 10), La Bayadère (Jul 11), The Sleeping Beauty (Jul 12, 13) and Swan Lake

KARLOVY VARY Karlovy Vary International Film

Karlovy Vary International Film Festival: the elegant west Bohemian spa town formerly known as Carisbad is taken over by the biggest film festival in central Europe on the centenary of the birth of Czech film-making. There will be competitions for films new films from the former Socialist bloc and a retrospective on Czech animation. For accommodation

Tel: 420-17-321 2204

LONDON CONCERTS Barbican Hall Tel: 44-171-638 8891 Carmen: by Bizet. Sir Colin Davis conducts the London Symphony Orchestra in a concert performance, with soloists including Olga Borodina and José

information call 420-17-321

2525-7; to Jul 11

Qura; Jul 12, 15

MILAN OPERA Testro alla Scala Tel: 39-02-88791 www.lascala.milano.it Lucrezia Borgia: by Donizetti. Conducted by Gianluidi Gelmetti in a staging by Hugo De Ana. Casts vary; look out for Renée Fleming; Jul 11, 13, 14, 16

MUNICH CONCERTS Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Jun Márkl in works

by Brahms, Mahler and Schoenberg. With soloist Barbara Hendricks; Jul 13, 14, 15, 16

OTTAWA EXHIBITION

National Gallery of Canada Tel: 1-613-990 1985 Picasso: 100 works on loan from the Museum of Modern Art in New York, Spanning his career, the broadly chronological display includes paintings, drawings, prints and sculptures; to Jul 12

SAN FRANCISCO CONCERTS Davies Symphony Hall Tel: 1-415-864 6000 www.sfsymphony.org San Francisco Symphony and Chorus: conducted by Nicholas

McGegan in Beethoven's Ninth

Symphony and Piano Concerto No.

2, with piano soloist Anton Nel; San Francisco Symphony Orchestra: conducted by Gerard Schwarz in a programme of French works including Sarasate's Carmen Fantasy and Chabrier's España. With violin soloist Elmar Oliveira;

SANTA FE **OPERA** Tel: 1-505-986 5900 Madama Butterfly: by Puccini. John Crosby conducts a production directed by John Copley; Jul 10

The Magic Flute; by Mozart.

Jul 16

THE HAGUE EXHIBITIONS Lange Voorhout Tel: 31-70-364 5784

Miller, with sets by Roni Toren and costumes by Judy Levin. Cast

SCHLESWIG-

Jul 11, 15

New production by Jonathan

includes Sheri Greenawald;

HOLSTEIN New production by Giuliano CONCERTS Schleswig-Holstein Music

Tel: 49-431-567 080

NDR-Skifonieorchester: conducted by Günter Wand in Bruckner's Symphony No. 5; Lübeck, Musik und Kongreshalle; Jul 10, 11

STUTTGART

Tel: 49-711-202090 Alcina: by Handel. New production by Jossi Wieler and Sergio Morabito, conducted by Alan Hacker, with designs by Anna Viebrock; Jul 10 Tosca: by Puccini. New production by Willy Decker, conducted by Lothar Zagrosek

with designs by Wolfgang Gussmann; Jul 14

The Hague Sculpture 98: outdoor exhibition of more than 50 works by sculptors including Rodin, Mailiol, Calder, Moore, Bourgeols and Tinguely. A modern sculpture show at Het Palels Museum is showing at the same time; to

VERONA OPERA Arena di Verona Tel: 39-045-800 5151 Un Ballo in Maschera: by Verdi.

Montaldo; Jul 11 YOKOHAMA EXHIBITION

Sogo Museum of Art Tel: 81-45-465 2361 Aubrey Beardsley: more than 200 drawings, prints, posters and books; to Jul 20

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At 08:20 Tanya Beckett of FITV reports live from LIFFE as the London market opens.



PHILIP STEPHENS

Court of King Tony

Accusations of influence peddling within the Labour party are hardly a crisis for UK democracy, but Blair must learn from the onslaught

William Hague's Conservatives rouse themselves into red-faced rage. The Speaker of the House of Commons splutters in indignation. New Labour's Armani-suited lobbyists, says the latest item on the charge sheet, are extracting extortionate fees for a mere peek into the court of King Tony.

There is worse. The covernment is contemptuous of the dignity of parliament. Tony Blair is never there. Latterday Cromwells from the Old Labour left mount the balustrades to defend 1.000 years of capitalist history. The media fill their ammunition pouches. Sensitive documents have been selectively leaked, the press wails, even as it fights for favours on the doorstep of 10 Downing Street.

Thus has Mr Blair's covernment, we are told, trampled on the fragile blooms of British democracy. The Tories may have been a touch sleazy. The odd former cabinet minister may stand accused of perjury. may have been sold for cash. But Mr Blair, with his huge majority, has turned populism into tyranny.

The nation, we read on, is ruled by a charmed circle of courtiers (17, it is said) formed tightly round the leader. Offend any one of them and you are an enemy. As for the proud and ancient traditions of the Commons. who cares? Mr Blair makes the rules in Cool Britannia. Some of you, I suspect. may be a little puzzled as to how this week's story of influence peddling by New

Labour lobbyists has become a crisis of democracy. One might see some guilt by association with the boastful young men who, having served the party in opposition, now want to turn

a buck by opening doors along the corridors of power. But no charges have been laid against ministers. A certain bibulous

carelessness at a cocktail party is the comically dire offence of which Roger Liddle, a senior member of Mr Blair's policy unit, stands accused. As to who leaked confidential copies of the government's defence review, even the reciplents confess to being mystified.

And yet if events this veek have been overblown they have damaged Mr Blair. The prime minister has denounced his critics for smear tactics, but he is taking notice of the force of the onslaught on the probity of his administration. The you-know-us-we-are-honest defence that saw him through earlier scrapes has

not worked this time. And while the voters are upremely uninterested in the minutiae that so obsess the political classes, some o the mud will stick. The nation lauds strong leadership. But, as Margaret Thatcher discovered, it must not be seen as over-mighty.

So beneath the clatter of insults hurled and returned. there are lessons to be learnt. They are mostly about attitude, about perceptions rather than policy. For a party that has so prospered from its presentational skills, they are important for that.

Some in Mr Blair's administration have yet to learn the manners of governing. After so long in the wilderness, politics became nothing so much as the pursuit of power. To be ruthless was to win. Discipline and order counted above good behaviour. In opposition, policy and its presentation were also necssarily indistinguishable. Government imposes

unfamiliar constraints and demands different talents. There are rules and codes to be observed. There is proper scrutiny. Power is more diffuse. The Whitehall machine does not like decision-making by caucus. Policies, above all, must be delivered as well as presented. That sometimes

demands consensus, a synonym for weakness in New Labour's dictionary. We should not generalise here. Many of the dozens of (mostly young) aides brought into government by New Labour are among the most serious-minded of their generation. Too serious, I sometimes think when I listen to their discourses on Mr Blair's third way. Time

will settle their inexperience Others among them, though are still intoxicated by the experience of power. They have stormed the citadel. Now they will enjoy the spoils. Politics, in this mindset, is about winning. What counts is not the policy but that their master or mistress is judged to have emerged triumphant from the process.

Here is the attitude that

fuels the endless stories of enmity between Mr Blair and Gordon Brown, his chancellor. Beyond the jostling and jealousies of all politicians at this level, there is nothing in their relationship that preordains its eventual destruction. The closeness is attested to by every independent observer of their almost daily meetings. This week the two have sat side by side in Downing Street as Mr Blair has brokered the deals with spending ministers that will deliver the government's

This is not the picture that emerges from the acolytes. I have given up counting how many times I have been told King Tony can have no heir.

of the flaws of the one by the friends of the other. And each time one wonders why they have not acted more decisively to rein in those who claim to speak for them The answer, I suppose, is that, while they trust each other, neither trusts the other's camp followers.

It is the same addiction to the politics of personality that brings to public notice the intense mutual hostility between Mr Brown and Peter Mandelson. The latter is soon to be promoted by Mr Risir to the role of strategist-in-chief. Mr Brown, it is whispered (though the chancellor himself disclaims this), intends even now to block or wreck the plan.

Mr Blair has had some success in standing above the fray. His refrain when the question is asked is that the real world of the economy, health, education and welfare will shape the fortunes of his government. Yet, inevitably, he is touched by the factionalism It treats government as a private fieldom to be crapped over by New Labour's barons. It seeks to

deny the undeniable link between personal relationships and good decision-making. (Those who would argue otherwise need to look at the chaos that no reigns in the cabinet's welfare reform committee.) Most dangerously, though, it is taken as proof of hubris.

For this reason alone Mr Blair should be careful of his majority. One does not have to bow before the puffed-up pomposity of those who now clare themselves tribunes of the people to agree that closer attention might be paid to the sensitivities of parliament. No harm come from generosity. And yet I cannot escape

the feeling that those paddling this week in the murky shallows of British politics have missed its deeper undercurrents. The great irony in all this is that power is indeed ebbing from Westminster. Within a few rears a trickle will become flood. But it is not flowing towards Downing Street. Instead constitutional reform, as we see already from the rising fortunes of the nationalists in Scotland is returning it to the people.

LETTERS TO THE EDITOR

Sensible legislation for Russian reform systematically rejected

From Professor Padma

Descri. Sir. In his letter of July 8 "IMF funding for Russia would not solve the country's problems"), Professor Peter Reddaway objects to your reporter's apparent characterisation of Venyamin Sokolov, Russia's chief auditor, as an avid opponent of market reforms (*\$6bn of Russia's budget misspent". June 9).

As it happens, your reporter has hit the nail on the head. Sokolov is well known for his opposition to "monetarist discipline", proposing instead that bartering among Russian factories, in his view a result of working capital shortage, would disappear if more cash were pumped into the economy! A staunch opponent of the Russian government's policies, he has opposed legislation in the Duma aimed at removing across-the-board housing subsidies (to be substituted in the proposed law by select income support to

Prom Mr Michael Ellis.

Sir, Your report from Frankfurt, "Parents drop grammar suit" (July 8),

states: "The parents of two

school-age children have

withdrawn their lawsuit

against changes in German

grammar just one week

before the constitutional

the poor), privatising land (which could raise the productivity of Russian agriculture), reforming the pension system (instead endorsing repeated pension hikes which have bankrupted the Pension Fund), and auctioning of government stock in Russia's privatised factories to private groups. Indeed, a case initiated by

Mr Sokolov on behalf of the

Accounting Office against officials of the state property committee in March 1996 with respect to the auction procedures of the Siberian mining complex. Norilsk Nickel, was thrown out by the Moscow arbitration court. In the fierce ideological battles being waged on the floor of the Duma between the reformers and the left opposition led by the Communists reminiscent of the 1993 confrontation, which led to the bloody dissolution of the Duma in October 1993, Mr Sokolov is on the side of the opposition

systematically rejecting each

changes, and finishes by

talking of the reform "elimi-

nating the 'beta s' which

First, a few changes to

spelling and punctuation can hardly be called a grammar

reform. Second. those not

a German keyboard should

fortunate enough to poss

A German form not so easy to eliminate

stands for a double s".

sensible piece of legislation. Surely Professor Reddaway does not think that this crowd can throw up "better leaders" with a "fresh approach"! The approach necessary right now is for the Russian government to move away from preponderant reliance on International Monetary Fund and World Bank financing to substantial borrowing from private financiers against government stock in a series of companies such as Gazprom (the world's largest natural gas monopoly). Rosneft (the Russian oil company), Svyazinvest (the telecommunication holding concern) and others. This proposal was made by me in the FT (Letters, June 18) and has been embraced in substance

Padma Desai. Harriman professor of Columbia University New York, NY 10027. US

misconception. In fact the

beta s will still be with us,

though the simplification of

the rules will make its occur

rence less frequent. Of

course, the Swiss dispensed

with it some time ago, but

they are known for their rev

olutionary attitudes

Robert-Koch-Strasse 3,

90766 Fuerth, Germany

Michael Kills.

by Martin Feldstein ("How

to save the rouble", July 8).

Right fix for **RPI** target

From Mr Richard Nuttall. Sir, There have been a number of recent exposés and allegations of cartels and price fixing regarding cars, fashion goods, CDs, computers, white and brown goods. If the UK government successfully tackled these, and the prices on these items fell due a proper amount of competition, it would be interesting to know what the effect on the retail price index would be. I suspect that it would help the government and the Bank of England get close to its 2.5 per cent target, and of course it would count well with the electorate who would also benefit from the reduction in prices.

Perhaps it should be a ers to prove that there is competition among its distributors and retailers, rather than others having to unearth evidence of a cartel. One easy test should be to see how much variation in pricing there is between competing outlets. No variation means a cartel. Significant variation suggests genuine competition.

Ely. Cambs, UK

A real worry

From Mr John Pitts. Sir, While applauding the move by the London and German stock exchanges to forge an alliance, and agreeing with the comments in your leader ("A sensible Exchange", July 8), I have one nagging thought. This seems to indicate that our stockbrokers are wiser than our politicians. Should this worry us? *

Hall Garth House, Carthorpe, Bedale DLS 2LD, UK

Objective the same - but means to end differ

court was to rule on it." It not start rejoicing yet. The

refers several times to alleged elimination of the

"grammar" reforms or beta s seems to be a popular

From Ms Lizabeth Herzoo. Sir, I strongly object to the characterisation by Avi Machlis of supporters of the radio station Arutz Sheva as "anti-peace" ("Netanyahu turns up the volume of

radio", June 27). All Israelis want peace whether they are on the left or right of the political spectrum. We only differ in the means to achieve it. Those on the right believe that Chamberlain-style Israel

appeasement will result not in peace, but rather in

Lizabeth Herzog 7 Diskin.

We are learn to encourage letters from readers worldwids, Letters may be lexed to +44 171-873 5938 (set lex to 'fine'), aumati-letters-editor@fl.com Published letters are also exaliable on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fex 0171 873 5938, Latters should be typed and not hand written.

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PERSONAL VIEW WYNNE GODLEY

Motor starts to sputter

expanded so fast for six vears, even though fiscal policy has been restrictive and net export demand sluggish? A partial answer is suggested by the chart, which shows the private sector's financial surplus - that is, the excess of income over expenditure in the past 25 years. Since 1953, the average surplus has been 1.1 per cent of gross domestic product, with surpluses of above 3 per cent or deficits below minus 1 per cent extremely rare. Until recently, it has not been negative for

more than a year or two at a But the period between the first quarter of 1992 and the first quarter of 1998 (the shaded area in the chart) differs in two important respects from the rest of the

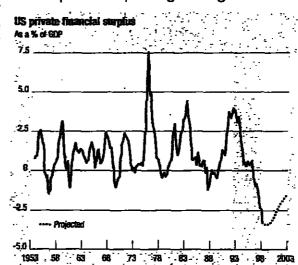
postwar period. First, the fall in the surplus has been larger and longer than ever before. This implies that the growth of For this deficit to go on private expenditure has growing, the ratio of debt to exceeded that of income by a income, which is already risrecord amount. Whereas GDP has risen at an annual average rate of 3 per cent since the start of 1992 and real private disposable income has risen by 2.6 per cent, the growth of real private expenditure averaged 4.2 per cent.

Second, the private "surplus" became a deficit in 1996. But instead of returning towards balance, this deficit went on growing, reaching a record 3.3 per cent of GDP in the first quarter of 1998.

When there is a deficit (when expanditure exceeds income), net borrowing must data recently published by the Federal Reserve show that, in the first quarter of 1998, the net addition of the Asian crisis on the US to the stock of debt owed by the (non-financial) private sector rose to 11 through fully, but it has per cent of disposable already been substantial in income. This is the extent to which private income was being supplemented by net borrowing, and it implies that the level of debt was rising as a proportion of

As the private sector's def-

After six years of rapid growth, the US economy faces - at best a period of prolonged stagnation



are needed just to maintain the strong dollar, and this it where it is, it can hardly go on growing much longer. ing fast, would have to accelerate out of sight.

Sopran III & anter's calculators

economy through one "Goidilocks era" - namely the expansion of private spendmust have reduced profit margins. The crisis itself seems to

be deepening, with output in Asia falling far more than was generally expected a few months ago and an increas-This means that the motor ing number of countries which has driven the US becoming involved. The ing number of countries average American has not noticed much yet because the credit expansion, ing financed by loans - can-reinforced by the boom in not possibly drive it through asset prices, has carried so

The average growth rate of the economy over the next four years is unlikely to exceed 1 per cent a year and could easily be much less

be taking place. And sure another. It looks more as much momentum. Also, real enough, the flow-of-funds though it is ready to conk This is made the more

likely by the damping effect economy. The full impact will take a long time to work the first quarter of 1998, exports minus imports were down \$70bn (at 1992 prices) on the average for 1997, a fall equal to 1 per cent of GDP. And there has been a further large fall in net exports since then. In addition, the recent icit is now at a level where tendency for export prices to large injections of finance fall has been accentuated by

income has benefited from the fall in import prices that some point. were 4.5 per cent lower in were, on average, during

The first thing that became obvious is that the full effects of the crisis will depend crucially on what happens to policy round the world.

Japan, since its trade with ics Institute

the region and investment in it are so much larger than elsewhere. In one outcome, the US could easily see its GDP fall next year by 2 per cent or more compared with what otherwise might hap-

I have put all these ideas together into a medium-term projection of the US economy. One key assumption is that the private sector's financial deficit stops rising 🦛 fairly soon and returns towards zero over a period of vears (shown in a dotted line on the chart). If this were to happen in a way anything like that projected in the chart, total private expenditure would drop % per cent a year relative to income over the next few years ~ a big change compared with the recent past.

A second assumption is that, partly because of the strong dollar, net export demand continues to fall for a couple of years before recovering moderately. I also assume the US economy receives no new fiscal stimu-

Credit booms often continue, feeding on themselves for much longer than any-one expects. The US boom may roar ahead for some time, although signs of weakness have recently appeared in the tradeable

However, the main issue is what happens in the medium term. The implication of the assumptions I have made is that over the next four years the US economy is unlikely to grow by more than 1 per cent a year on average and it could easily be much less. Such a slow growth rate would not be enough to stop unemployment from rising and the federal budget from moving back into deficit at

What, then, is the concluthe first quarter than they sion? First, given present policies, that a period of prolonged stagnation, at best, is So what might be the on the medium-term horizon. upshot? I have carried out a Second, the possibility of an number of simulations repre- intractable global recession senting various possible is now to be taken seriously. responses to the Asian crisis. and the rest of the world would be most unwise to count on the US to provide the locomotive force needed to pull it out.

The author is visiting scholar This is particularly true of at the Jerome Levy Econom-

PIRAEUS FINANCE

BUSINESSES FOR SALE

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interested parties to express their interest in purchasing the assets, as a whole, of INTERNATIONAL CLOTHING INDUSTRY S.A.

by submitting within twenty (20) days from today a written, non-binding expression of interest

Summery Data on the Company under Liquidation

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Summary Data on the Assets for Sale

included among the assets of the Company under liquidation are:

A complete factory complex for the production of ready-made clothing in the Thuria district of the prefecture of Messinia, built on a plot measuring 21,805 m² in area (surface area of the building installations is about 10,100 m²).

Building complex (warehouses, offices, etc.) built on a first and second level totalling about 4,718 m' in area, on a plot of about 9.802.20 m in the real estate district of the community of Pallini, Attica. On the third level of the above, a half-finished building, 2,058 m in area, has been erected, the building of which was interrupted in 1996.

Independently owned offices which occupy the entire 4th floor (total area: 534 m²) of the apartment building at 64 Vass, Sophia Ave. Indivisible ownership of 1/2 of the independently owned offices which occupy the fifth floor (total area 524 m² of the above apartment

Indivisible ownership of 1/2 of the plot of land totalling 909 m2 (with the old building on it) lying in the real estate area of the Community of Lehnings, Ilia

Indivisible ownership of % of 3 agricultural plots totalling about 10,000 m., in the district of the Community of Oreon, Euboea, as well as indivisible ownership of % of a plot of about 500 m (with the old building on it) lying within the settlement of the above Community, Chims and stocks of raw materials and finished products as well as the "AMERICANINO" trade mark (in all the countries of the

world except Greece, Cyprus, Japan, China, Hong Kong, Indonesia and South America), etc. A detailed description of the above data, as well of other remaining assets, is contained in the offering memorandum which is available to prospective buvers.

Sale Procedure

The sale will take place by Public Auction to the Highest Bidder in accordance with the provisions of article 46a of Law 1892/90 and the terms of the relative announcement of the auction which will be published in the same newspapers and within the time limits Prospective buyers, on signature of a confidentiality agreement, may receive the offering memorandum within the legal time limits. Also, they may obtain supplementary information and data and may visit the premises of the Company under liquidation.

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Two main shareholders wish to retire. Telephone: 01628 674864

Fax: 01628 773433

Pre-tax profits: £400,000.

Friday July 10 1998

ECB cracks its whip

The first meeting of the upheaval is another matter. European Central Bank in were revealing. They show how far the institution wants to be the Bundesbank writ large. The question is whether such continuity will work on a wider

European stage.
One indication was the decision to impose reserve requirements on commercial banks of dent. should be a budget close between 1.5 per cent and 2.5 per cent. Rolf Breuer, chairman of Deutsche Bank, Germany's largest commercial bank. denounced this requirement as "outmoded". Yet the ECB will pay interest at the same rate as at around 2 per cent in 1989. on its main refinancing Worse, only Ireland and Finoperations, which means this will be no onerous obligation. Whether it makes much sense is another matter.

Much the biggest questions the European economy, the halupon member governments. On the first of these, the ECB inherits a comfortable pesition. In April the annual increase in the harmonised consumer price tory 1.4 per cent: the European economy is expanding strongly:

and unemployment is falling. Looking ahead, the ECB can hardly find much reason for monetary tightening. Growth of broad money looks benign. The presence of the Bundesbank's former chief economist, Otmar Issing, means great weight will Whether this makes sense at a vast structural system works,

Much the most interesting Frankfurt was an historic indication of the future role of event. The second, this week, the ECB came from the promiwas routine. But the decisions nent place given by Mr Duisentaken and statements made berg to complaints about the fiscal policies of member states. He expressed anxiety that memstructural fiscal deficits, though they were not yet in compliance with the stability and growth

> to balance or in surplus. Yet the latest forecasts from the European Commission show cyclically adjusted fiscal deficits for the 11 members, collectively, and for 8 of them, individually, land are forecast to register significant improvements in these

The ECB is right to worry that the opportunity afforded confronting the ECB concern by the cyclical upswing will be wasted, as it was in the late ance between monetary and fis-cal policy and its influence member states feel they can now relax. Yet it would also be a mistake to ignore the global context. Now is not the right time for the EU to pursue fiscal contraction and monetary ease. thereby exporting unemployment to the rest of the world.

If the ECB is the Bundesbank writ large, it faces two problems more severely than the institution it replaces, it has to influence 11 fiscal authorities, not just one; and its decisions lirectly affect an economy with a vast impact on the world. How Europe resolves these diffiits revolutionary new monetary

Rock relief

Gibraltar appeared yesterday to sion to Spain, by offering shared use of its airport for Spanish flights. A deal on that ougstion. could open the way for talks on the whole relationship between Spain and the British colony at its southern tip, and end years of mutual suspicion.

The irony is that Gibraltar would amount to tacit recognion which the airport is built. Pas- with the UK government. sengers travelling to Spanish destinations would not be required ever, Spain has little connucreial restrictions and delays imposed capacity provided by large airports in Malaga and Seville.

The concession suggests that Gibraltar is feeling the strain of isolation. The lesson is that the colony has no viable future except by co-operating with Spain. With the British navy its economic future depends on financial services and tourism. Spanish obstruction has the capacity to damage both. But Spain should now respond.

use of the airport too late to ben-talks with Gibraltar proposed by efit from it. It vetoed the deal in Abel Matutes. Spain's foreign 1987 because of fears that it minister. The offer amounts to a relaxation of Spanish insistence tion of Spain's claim to the land that talks can only be conducted

Madrid must recognise that its only hope of wooing Gibrallar is to go through Gibraltar immigra- to win the good will of Cibraltarition facilities first. Today, how- ans. Obstructionism, like petty use for the airport, with ample at the border, have allowed the latest dispute to drag on for more

Japan votes

Japan is in recession. The did so more in the name of clean taro Hashimoto and his cabinet is presented by Sunday's upper house elections to punish the ruling Liberal Democratic Party for

its dire economic management.

outright majority in the upper house, Japan's political modus operandi remains that of a single party democracy. The opposition is fragmented and incoherent Many ordinary Japanese may be tempted to express their disillusionment by staying at home. This would favour the LDP against its opponents and give would it make much difference to effective opposition possible in

the consensual Japanese context? Certainly there is a danger that western expectations will be pitched too high whatever the electoral outcome. For until the past year the function of politicrans in Japan was not to mastermind policy. Their chief task was to deal with interest groups and the delivery of money and infra-cians last weekend on whether structure to lobbies and constituents. Prime ministerial office was a reward for party service, not a

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platform for policy adjustment. Within this system the party was little more than a coalition ing the LDP's grip on power, he the country now faces.

popularity of prime minister Ryu-government than changed policy. Since then, opposition parties at a dismally low ebb. It might have proliferated and haggled thus seem natural for the voters over alignments and coalitions. in Asia's most advanced democ- Last December's disintegration of racy to seize the opportunity. Shinshuto, the main opposition group led by Mr Hata's mentor Ichiro Ocawa, confirmed the difficulty of establishing a plausible opposition to the LDP.

A smaller group of parties has now emerged under Naoto Kan. which has been compared to hawk. Hermann Remsperger is Italy's Olive Tree condition. But about to take up residence inside the parallel is misleading. In seeking to renew its democracy after the corrupt single party rule of the Christian Denocrats, Italy could draw on the political i Bundesbank director who has just strength of a reinvigorated for I moved into the euro-dimension as mer communist party. It also had Mr Hashimoto a reprieve. But a pool of uncorrupted talent in the universities and the central the economic crisis? And is an bank to provide technocratic leaders such as prime minister

Romano Prodi. Japan has found it harder to mobilise such talent. But some change is afoot. Scandals and demoralisation in the bureaucracy have caused politicians to take charge of policy by default. Yet this has led to more incoherence and market uncertainty pass on requests for favours to witness the impact of conflicting the bureaucracy. Political suc- statements made by Mr Hashicess was measured in terms of moto and other leading politi-

taxes were to be cut. This has helped the opposition parties and raised hopes for a higher turnout on Sunday. Mr Hashimoto's fate is in the balance. But as the political temperof political cliques, or factions, ature rises, it should not be forwith few identifiable political gotten that Japan's form of principles. When Tsutomu Hata democracy is peculiarly ill-suited led a breakaway group from the to producing a decisive policy LDP in 1993, subsequently loosen- response to match the challenge

The aim, insisted the presi-

deficits between 1997 and 1999.

The changing of the guards

The EU's plans for data regulation have caused friction between Washington and Brussels. If the directive goes ahead, there is a chance of trade conflict with the US, warns Guy de Jonquières

f you live in the European Union and use electronic anyone in the US - or most other narts of the world - you had better watch out. Absurd as it seems, you may soon be break-

That is one of the unintended consequences of an impending EU law that aims to safeguard the privacy rights of European citizens by setting common rules for the export and use of many kinds of personal data. This is defined as "any information relating to an identified or identifiable natural person". Strictly applied, the law would cover every kind of personal information in electronic or written form.

The directive comes into force on October 25. As the deadline approaches, coping with its far-reaching, but often unclear, requirements is creating headches for companies operating in Europe. It is also threatening a trade conflict with the US.

Much more is at issue than EU red tape. The data protection directive has sharp teeth. As well as providing for fines on offenders, it authorises the severance of information flows to non-EU countries found not to have "adeguate" data protection arrange ments. If exercised, those powers could play havoc with global trade flows by cutting off companies' international communicalions networks.

Brussels has not defined "adequacy" precisely, or the criteria for judging it. But it says it has so far identified only about 10 countries likely to qualify. They do not include the US, where the government and businesses bave been angered by what they see as an EU attempt to foist its laws on them. White House officials say the US may challenge the legislation in the World Trade Organisation. Some members of Congress are talking of passing a blocking statute", which would prohibit US companies from complying with the EU rules.

Brussels and Washington have aunched urgent consultations to avert open confrontation. But while the talks have lowered the political temperature, no settlement is yet in sight. Ironically, when EU ministers

approved the directive in 1995. t was beralded as a tradeliberalising move. It aimed to underpin the single market by reducing discrepancies between national privacy rules, far was a flawed compromise. It is not even clear that it will remove all national restrictions on data flows inside the EU. Critics condemn the law as overkill.

When it was first drafted in primitive and took place mainly between big mainframe computers. The law failed to anticipate the explosion of global communications caused by the spread of internet. Critics say that, because the law technically covers all such traffic, it is unenforceable. Just how it will be applied is

unclear, Many EU members have yet to implement the directive in national legislation, and their data registrars and the European Commission are still trying to agree a common approach. But some observers say their

efforts so far have created as much confusion as clarification. "There are huge grev arcas." says Heather Rowe, head of the International Chamber of Com-

merce's data protection committee. Some estimates put the cost of compliance to EU business as high as \$3bn (£1.8bn). Companies complain that uncertainty about the directive's impact is at least as big a concern. They are particularly worried about its effect on operations that depend on transatlantic data communications.

"We find the possibility of there being no US-EU agreem by October 25 absolutely terrifying," says Colin Fricker, head of legal affairs at the UK Direct Marketing Association. "If the EU insists on applying territorial solutions to cyberspace, it will kill electronic commerce.

Defenders of the law dismiss such complaints as alarmism. and insist the new system will be implemented responsibly. They also claim it is less draconian

The rules will be waived for stricter in northern EU countries three years for existing data than in southern ones. The result exports from the EU, or if individuals concerned have given exemptions for exports of personal data needed for contracts between companies and employees, to defend legal claims and to But many businesses say the

impractical. World Insurance Network, a global broking service recently launched by four large personal computers and the US and European insurers, fears it will be required to obtain individual consent from thousands of company employees worldwide. Lawyers say the directive is also open to divergent legal interpretations - all the more so because it will be administered by 15 independent national data regulators, whose priorities and approach vary widely.

The system is unwieldy and Chance, a London law firm, who is advising large companies on the implications of the directive. data. It said industry self- its directive.

"It is likely to be extremely burdensome for businesses, but of dubious benefit for consumers." Even if national regulators act

pragmatically, they face pressure from privacy rights groups to crack the whip. One, Privacy International, says it will monitor large companies' compliance closely and bring test cases

Scott Blackmer, of Wilmer, Cutler and Pickering, a Washington law firm, thinks individuals whose data rights have been abused may even be able to use the EU directive to bring "class action" cases in US courts on behalf of fellow "victims".

Such possibilities increase the pressure on Brussels and Washington to settle their differences

of what is needed". Newspaper articles have high-

lighted other shortcomings, while several opinion polls have found trust in the security of internet transactions is threatening the growth of electronic commen President Bill Clinton's administration has told business it

must quickly restore public confidence, or risk heavy-handed and costly legislative intervention by Congress, Many large companies are scrambling to form industry alliances, to strengthen selfregulation and promote better web-site security.

Some companies accept that better data protection is good business. "In nine months' time. quickly. The EU denies that it is companies which do not have

The data protection directive has sharp teeth. If exercised, it could play havoc with global trade flows by cutting off companies' international communications networks

untary self-regulation, as the US proposes, provided it is effective.

The US long remained unmoved by such arguments. insisting its existing data protection arrangements are adequate. But the mood is changing in the US. A sea change in its political climate has transformed the terms of the debate and forced

approach to data protection.

A recent US Federal Trade Commission report found that the collection and use of personal

demanding that the US copy its effective verification by third par- with powerful political pressures loopholes are too limited, or own legislation. It says it is ready ties will have a hard time in the at home, which could easily turn to accept a system based on vol- market," says Bill Archey, head their dialogue in to brinkmanof the American Electronics

Association. tured US complacency and enhanced the EU's sense of moral superiority but they do not seem tical solutions to the problems threatened by the EU directive.

Many US industry privacy allithe US to re-evaluate its ances say it will take time to Their members are divided over how to police and enforce volununworkably bureaucratic," says many web-site operators had tary self-regulation. The Union is directive. But if they start seri-Christopher Millard of Clifford failed to respect the privacy of expected to look very closely at ously disrupting transatlantic users, particularly children, in such issues when assessing whether self-regulation satisfies

Nor would US legislation neces sarily make a transatlantic settlement easier. There are about 90 data privacy bills in Congress, dren and medical records. But Congress is not expected to act before next year, and there is no guarantee that any of the measures it passes will satisfy the

There is also uncertainty about how any new US laws would be administered. Widespread distaste for cumbersome regulatory bureaucracies has engendered opposition to creating a powerful US data "czar", comparable with EU data registrars.

Senior US and EU officials insist, nonetheless, that they can broker a mutually acceptable compromise, probably involving a variety of measures. Possible mponents include a system of voluntary "model contracts" between companies, policing by the Federal Trade Commission and some US legislation.

But EU and US officials say they are still unsure exactly what an eventual package will contain. Less than four months before the directive is due to take effect,

Partly to keep pressure on the These events may have punc- US, European Commission officials are refusing to rule out the possibility that some transatlantic data flows could be cut off to have brought any closer prac- after October 25. Some observers fear the EU may find such action

hard to avoid. "The Europeans are in a delicate position," says one. "They develop stronger data protection. may feel they have to bring some exemplary cases early on, or US business will just ignore the data flows, they risk provoking a

OBSERVER

Hermann hits the heights

After years of watching the Bundesbank's every move like a its forbidding grey walls. The respected chief economist of

succeed Otmar Issing, the former a director of the new European Central Bank. In the age of the single currency,

the Bundesbank won't be the towering force of recent years. But it will retain a powerful voice in the counsels of the ECB, which also happens to be in Frankfurt.

The friendly, soft-spoken Remsperger, 48, has developed an intimate understanding of the German central bank's often impenetrable thought processes in his time as a Bundesbank-watcher. Like the influential Issing, he believes strongly in monetary discipline and has acquired sensitive antennae about the timing

of interest rate moves. Although the atmosphere at the Bundesbank is unlikely to be calm if the euro's resilience is put to the test by volatile financial markets, he may relish the change of scene. BHF-Bank, where he has worked for nearly 20 years, has been going through an unsettling

reorganisation recently. This has not affected Remsperger's own position, but the move from the cut-and-thrust of the commercial banking world may sust someone who is an honorary professor at Frankfurt's Goethe University. An extra touch of gravitas does not go amiss in the sober world of central banking.

Jaundiced

The annual congress of Golkar, the party which has run Indonesia for three decades, was decked in its usual yellow yesterday. The bright, jolly colour has seemed appropriate during the years when party faithful could count on comfortable government jobs and juicy government contracts in

return for rubber-stamping the

policies of President Suharto. But yesterday the yellow of the ackets, batik shirts, ties and flags only seemed to emphasise the venom, as members schemed. owed, plotted, caballed and backstabbed over who would be in the new leadership to take the place of Suharto's cronies. Edi Sudrajat, a former top brass

hat who is favourite for the chairmanship, was, it was whispered, plotting the downtall of President B.J. Habibie. Others claimed that his main rival, state secretary Akbar Tanjung, was a stooge of Habibie, while some saw both men as marionettes, with

Suharto pulling the strings. Golkar has a large slush fund and an unrivalled organisation, but Its association with Suharto won't be worth too many votes in the upcoming elections. Maybe it was

his poll prospects that persuaded Habibie to eschew the party yellow vesterday for an outfit of mournful

Palm court

Israel's allies in United Nations votes on their policy towards the Palestinians may be few in number, but they do live in some attractive parts of the world. There's a long history of

Micronesia standing foursquare with the US and Israel in UN votes so much so that Israel's Channel Two television sent a crew last vear to make a three-part series on The Mystery of Israel-Micronesia Friendship, and travel agents offer trips to Israel's "best friend across the ocean".

This week the might of the Marshali Islands was thrown behind the usual trio on the losing side of the 124-4 vote to upgrade the Palestine Liberation Organisation's status, sending the warring factions in the Middle East scurrying for the central Pacific Ocean pages of their atlases.

Micronesia and the Marshall Islands were administered by the US until 1986, and holidaymaking Israelis will find that the idvilic islands have one thing in common with the Jewish state - Uncle Sam dishes out masses of aid every

year to keep them affoat. Typecast Tina

world's most conspicuous

Tine Brown, the English-speaking

magazine editor, may have joined the Walt Disney camp, but she won't be straying far from her first

The Briton who has spent six years yanking the fusty New Yorker into the modern era says she plans to become a multi-media star. That means movies and television as well as the printed word, courtesy of a deal with Miramax, the studio that makes "independent" movies

for Disney. Her biggest splash, however, is likely to remain in the magazine world, with a new monthly high-class glossy scheduled for late next year. Its target audience will be the same "upscale intelligentsia" as the New Yorker, says Ron Galotti, who has just quit as publisher of Vogue to join Brown. The betting in New York is that it will bear a close resemblance to Vanity Feir, which

Brown also edited. Miramax co-chairman Harvey Weinstein says the aim is to use the printed word to create "Itmittess synergies" among the media outlets. For instance, if Brown goes to the Middle East for a magazine article, a television crew might follow her to film a 'special" for Disney's ABC

network. The Miramax boss adds that it is "Way too premeture" to discuss how much money will be put behind Brown's new venture though, like so many media executives, he hopes to produce "a Rolls-Royce for the price of a

US reaction that could unleash a Ginancial Times

S. African Senate Dissolved

50 years ago

Cape Town, July 9. The South African Nationalist Government to-day proclaimed the dissolution of the Senate. The announcement thus comes shortly before the expiry of the period allowed for this - that is within 120 days of the dissolution of the Assembly on April 16. Normally the Senate was not due to be dissolved until next year. At present the United Party has a majority in the Senate and could in consequence have blocked any

Nationalist legislation. The state of the Senate was: Pro-Government, 13; anti-Government, 30, the latter

including eight nominated by the last Government. Fighting Near Kuala Lumpur

Singapore, July 9. Fighting

against Malayan guerrillas raged to-day near Kuala Lumpur, the federal capital, and General C.H. Boucher, G.O.C. Malaya, said: We are dealing with it on battle lines." Police inside the city are fully alerted against possible attack, General Boucher has stated he did not believe the guerrillas could get reinforcements from Indonesia. but he was worried by the possibility of parachutists coming in to Malaya from neighbouring Siam.

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THE LEX COLUMN

Battle of the bourses

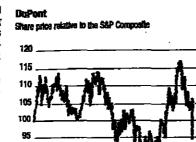
France may be in the final of the World Cup, but its bourse is in danger of being kicked into Europe's second division. This week's link-up between Frankfurt's Deutsche Börse and the London Stock Exchange puts the squeeze on Paris. Seemingly, it either joins the new alliance as a junior partner or risks seeing its top stocks poached by the Anglo-German partnership. Not surprisingly, the French who thought they were going to form their own axis with Frankfurt - feel

This game, though, is far from over. Paris may not have that much to offer as a financial centre, but the French have always known how to play political hardball. Who knows, President Jacques Chirac may already have been on the phone to Chancellor Helmut Kohl to insist that Paris is cut into the new alliance as an equal partner. After all, he could say, the French agreed to Frankfurt as the home to the new European Central Bank and did not even get their man, Jean-Claude Trichet, as its first president.

In such a hypothetical conversation, Mr Kohl might respond that ownership of a Eurobourse was a purely private sector matter. But, equally, he might try to arrange a deal in the interest of the broader Franco-German alliance.

Alternatively, Paris might hope that the Anglo-German partnership - which is not yet a done deal - will show cracks, allowing it to woo Frankfurt anew. And, if that too came to naught. France could always threaten to stop its top stocks joining the new trading platform. That might amount to cutting off its nose to spite its face -French blue-chips would then not get as good access to a liquid capital market. However, it would also throw a mediumsized spanner into the Anglo-German works; 44 of Europe's top 300 companies

The risk for London is that it will be outmanoeuvred in the europolitics. The exchange has already agreed on an equal split with Frankfurt, despite hosting 107 of Europe's top 300 stocks compared with Germany's 37. If more bourses were added as equal partners, its interest would shrink yet further. Managing a multi-headed alliance might also be a nightmare. London may yet come to regret the fact that it lacked the vision to go it



Yesterday's profits warning from DuPont cited an impressive list of culprits: the weather, weak prices, the dollar, Asian imports, even the General Motors strike - pretty much anything except itself. There is a good reason why DuPont is so blatantly on the defensive. Over the past few months, Chad Holliday, its new chief executive, has made much of the group's impending transformation from cyclical, old chemicals to sexy life sciences. It would not do for shareholders to think that while reshuffling the portfolio, management had taken its eye off the

In fact, investors are as much to blame as the company for the near-10 per cent drop in the shares. In their enthusiasm for DuPont's new strategy they had driven the stock up by nearly 50 per cent since January. However, DuPont is only at the start of its metamorphosis into a steady, fast-growing business that deserves a higher rating. The parallels with Hoechst are almost scary. The German chemicals group was lauded for its life sciences strategy in 1996, only to be condemned for slow execution and poor

results in 1997. If this shock accelerates change at DuPont, it will ultimately be to the good. Mr Holliday promised faster cost-cutting yesterday and hinted at more disposals or joint ventures in commodity chemicals. He should now take comfort from the fact that Hoechst shares are having a great

Japanese life insurers

As if Japanese bank stocks were not under enough pressure, news now comes that life insurers, who owned 14 per cent of bank shares in 1996, have turned sellers. Nor is that the full extent of the problem. Life insurers have also been refusing to roll over subordinated loans made to banks, which form an important part of bank capital.

But what of the life insurers themselves? Their unlisted status keeps their affairs largely private. However, distress selling of shares to address negative cash flow problems is hardly encouraging. Moreover, if banks start to fail, some of those subordinated loans will certainly

The insurers appear to face both solvency and liquidity challenges. The threat to solvency comes from the combination of significant obligations to policy holders, falling returns on investment, and depleted equity reserves. But high cancellation levels also pose liquidity problems, hence the pressure to sell shares. Policy holders have been dissatisfied with the low investment returns, and worried by credit risks following the failure last year of Nissan Mutual.

Inasmuch as this flight to quality encourages an industry shake-out, it is good news. Japan's insurers have been a by-word for unsophisticated products and lack of competition. Whether the country has the stomach for simultaneous turmoil in the banking and insurance sectors is

UK monetary policy

No rise in interest rates - cause for celebration? Well, not quite. For a start, the final twist to the monetary screw has probably been delayed, not abandoned. The futures markets are certainly betting on another quarter-point rise by September. Moreover, it is clear that the economy needs to slow if inflation is to drop to the government's target. That may be happening of its own accord - meaning a further hike could risk recession. But, if not, the Bank of England could easily get further behind the curve. The worry is that it could then have to tighten still more just when the global economy could

Albright urges renewal of **US-China trading links**

Asia's currency markets could be destabilised if China is denied the right to continue normal trading with the US, senior officials in Presi-dent Bill Clinton's administration

warned yesterday.

In her first testimony before Congress after returning from China last week, Madeleine Albright, secretary of state, urged members of the Senate finance committee not to over turn Mr Clinton's proposal to renew what is called "most favoured nation" status for China. She said revoking it would hurt US consumers, invite retaliation from China

and put US jobs and incomes at risk. "MFN revocation could come back to haunt us even more substantially by destabilising currency markets in the Asia Pacific," she told the Senate finance committee.

It would also "set back China's own daunting programme of market reforms and thus make it harder for China to maintain its contribution to Asian stability". Restricting Chinese exports to the US "might well cause China to devalue, with potentially dire consequences for its neighbours,

for China's own stability and for markets worldwide, including our own", she said.

"One certain victim" would be Hong Kong, which handles 50 per cent of US-China trade. She bited estimates from the Hong Kong authorities, which suggest that losing MFN would reduce Hong Kong's

Mr Clinton said last month he would renew MFN status for China for a further year, leaving Congress 90 days to overturn this proposal. This is seen as highly unlikely, particularly following the president's trip to China, which ended last week and was widely seen as a success.

After Mrs Albright spoke to the committee, the senate voted by 96

votes to two to abolish the term "most favoured nation" - which one mator described as "17th century French usage" - and replace it with a reference to "normal trading rela-

Both Mrs Albright and Charlene Barshefsky, the US Trade representative, emphasised that more work was being done to narrow the signifi-cant US trade deficit with China.

In response to a question about whether China was stalling negotiations over joining the World Trade Organisation, Ms Barshefaky said four factors had entered into play over the last year that had contrib. uted to a slowing of China's movement into the WTO.

China was, she said, an economy trade by \$34hn and its income by in transition, which meant that government officials were sometimes unsure what their own rules were. Second, the Asian crisis "has made China and other countries in the region re-think issues of market

Third, China's massive programme of internal reform" required the rationalisation of state-owned enterprises creating the potential for lay-offs of hundreds of millions of people. The belief that entering the WTO would make that process more difficult was also slowing progress in negotiations.

The fourth factor was the shrinking of the Chinese bureaucracy. "If you're a Chinese bureaucrat and you think your job's at risk, do you say yes to the West or do you say no. The answer should be fairly obvi-

Tougher measures called for to protect earth's ozone layer

Tougher action is needed to protect the earth's ozone layer, including rapid implementation of new controls to tackle the growing illegal trade in banned substances, environment officials said yesterday.

The meeting of officials from nearly 100 countries also called for better co-operation with United Nations bodies working on climate change. The meeting paves the way for a ministerial conference in Cairo in November, which will bring together parties to the Montreal protocol on the ozone layer. Certain "ozone-safe" substitutes,

developed to replace chlorofluorocarbons (CFCs), and other "ozonegobblers" are now recognised to contribute to global warming, which scientists predict will slow the healing process of the ozone layer.

According to the latest scientific assessment published last month,

Stratospheric ozone protects life on earth from the damaging effects of ultra-violet light, which can cause

skin cancers and cataracts. The "ozone-safe" substitutes, known as HFCs and PFCs, are targeted in the Kyoto Protocol on climate change, adopted last December, which requires governments to cut

emissions of greenhouse gases.

This has produced the paradoxical result that countries are being urged to use HFCs and PFCs under the 1987 Montreal protocol and discouraged to use them under the Kyoto pact. The officials, meeting in Geneva, did not attempt to solve this contradiction, but asked the scientific experts for the Monfreal protocol to co-operate with their climate

change counterparts. The issue will become more important from next year when developing countries must start the process of phasing out production of CFCs and

nest by 2000 or 2001 before slowly 2010. Most industrialised countries recovering over the next 50 years. have already phased out such sub-

China, India and Russia are the world's biggest producers of CFCs. which are used in refrigeration and air-conditioning systems.

The meeting also looked at how to bring into operation by 2000 an international trade registration system aimed at cracking down on a thriving black market in CFC gases, worth hundreds of millions of dollars annually. Officials fear that smuggling of cheap CFCs will become a more serious problem, once consumers in developing countries face controls on their use and a requirement to use often more expensive substitutes.

National governments are also being urged to take action to reduce emissions of halons, which are used mostly in fire extinguishers, and stop two new substances - chlorobromomethane and n-propyl bromide - from being marketed as

CONTENTS Features Markets Currencies Money markets FT/S&P-A World indices nyahu, left, and defence minister Yitzhak echal, right, promote Major General Shaul Mofaz chief of staff. AP

Europe today

Five-day forecast

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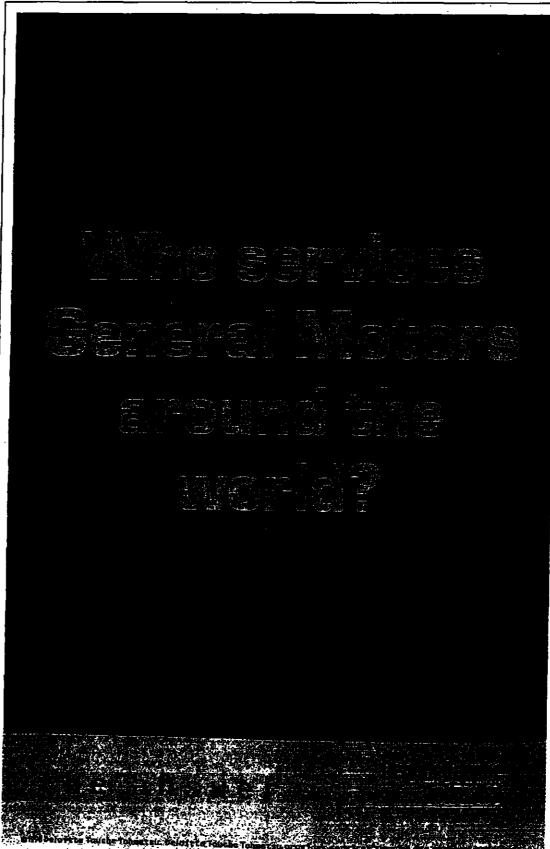
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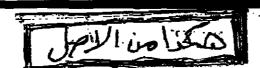
Citylines how to get share prices and mar

FT WEATHER GUIDE

Scandinavia will be cloudy and spells of sunshine. Eastern Europe will be dominated by low pressure with heavy showers and thunder western Germany and northern France will be cloudy with France and the western Alps should have some sunshine, but a threat of thunderstorms. All of The Mediterranean will stay warm and sunny, but it will become unseasonably hot across the southern half of Spain and Portugal. North-west Europe will

depression crossing Scotland on Sunday and the western parts of Scandinavia on Monday and PA WEATHER CENTRE TODAY'S TEMPERATURES Sun Fair Orzzi Sun Fair Shower Sun Sun Sun Cloudy Fair Cloudy Cairo
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Sun Sun Thunder Rain Shower Shower Thunder Thunder Cloudy Shower Cloudy 30 33 18 24 19 30 18 32 21 22 18 Sarceion Selfing Beltiset Belgrade Bermude Bogota Bombay Brusseie Budapasi C.hegen Sun Fair Sun Cloudy Sun Thunder Fair Cloudy Thunder POWER IS NOTHING 03000







COMPANIES & MARKETS



INSIDE

Rooms to spare in Hanol's hotels Five years ago, Hanol had only one luxury hotel, it now has four, with more than 1,200 rooms. But the Asian crisis has produced a sharp drop in the number of visitors to Vietnam. Over the past six months, the country's hotel sector has become a monument to the over-ambition of investors who came to the country in the early 1990s. Page 19

Queens Moat returns to favour

Queens Most Houses, the heavily indebted hotel group, has long been regarded as a corporate s story. But a gradual improvement in its finances after its near collapse in the early 1990s has attracted the attention of potential bidders. Speculative interest in the shares has helped triple their value since the start of the year. Page 20

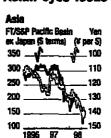
D-Mark weakens on Russia fears Premonitions of problems for Russia weakened the D-Mark against the dollar, while the Swiss franc hit a five-year low against the US currency. Although rumours that President Boris Yeltsin was ill were dispelled by a presidential appearance on television, the D-Mark remained weighed down by worries about Russia's liquidity crisis. Page 23

Russia keeps oil market bearish A rise in Russian oil exports has emerged as the latest bearish factor to hit crude prices, according to the International Energy Agency. Oil companies have increased production to compensate for Moscow's attempts to squeeze more taxes out of

LCH agrees derivatives clearing plan The London Clearing House, the body that clears and settles transactions for commodity and futures exchanges, has finalised plans for its proposed clearing service in the over-the-counter derivatives market. Page 22

Asian eyes focus on the yen

the petroleum sector. Page 24



As Japan prepares for Sunday's upper house elections, Asian markets are nervously following the fate of the yen. emments abandoned the US dollar peg last year, the region's currencles and equity markets have to the vagaries of the

Japanese currency. But while fears of a weak Japanese economy and a depressed yen have hit emerging markets, the benefits when Japan recovers may be limited. For most Asian countries, trade with Japan is less significant than is generally perceived. Page 34

Vietnam's credit rating lowered

Moody's Investors Service, the rating agency, lowered Vietnam's sovereign credit rating to B1 from Ba3 because of concern over stalled economic reforms and the threat posed to its balance of payments position by slowing foreign currency Inflows. Page 22

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FRIDAY JULY 10 1998

General Electric earnings rise by 13%

By Richard Waters in New York

General Electric yesterday justified some of the enthusiasm that has just pushed its stock market value above \$300bn for the first time, to leave US companies as a revealing that it had shrugged off the sort of pressures that have been weighing on the only around 2 per cent this businesses, as well as better groups, since it looked to the profits of many other US mulquarter.

tinationals in recent months. income for the latest quarter, marking the latest in a long ings advances. The company's nesses to deliver top-line manufacturing, GE has been "product services initiatives"

sort of pressures, including strong cash generation." Asia's economic turmoil and a rising dollar, that are expected

In a characteristically terse record results once again "the ability of GE's

US multinational shrugs off economic turmoil in Asia and a rising dollar

advance to a continuing shift whole with earnings growth of into higher-margin service by Asia than some other US cost and quality controls. "GE is emerging as the best revenues last year, and a lower

The world's most valuable statement accompanying GE's global growth company there company reported a 13 per earnings, Jack Welch, the comis," said Nicholas Heymann, cent increase in after-tax pany's chairman, said the an analyst at Prudential Securities. With an estimated 70 per cent of its businesses tied sequence of double-digit earn- diverse mix of global busi- to services, rather than pure tions - and what it called

deflation "that has been crush-As in other recent quarters, ing the margins of other manuthe company attributed its facturers", Mr Heymann said. GE is less directly affected region for only 9 per cent of its

> proportion of its earnings. The US group's revenues climbed 14 per cent to \$25.1bn, reflecting growth outside the US - in part through acquisi-

continued growth belied the growth, increased margins and able to avoid the sort of price. These, along with a drive to raise quality levels, were identifled by Mr Weich in the mid-.1990s as the main forces behind GE's continued growth. GE's financial services arm,

the only business for which and electric motors. figures are published separately, again grew faster than the rest of the group. GE Capital's earnings rose 17 per cent from a year before, accounting year to buy back \$923m of its for \$933m of the \$2.45bn net income notched up by the group in the latest period.

singled out aircraft engines and medical products as businesses that had grown atrongly during the latest period. These more than offset the decline of businesses which have proved to be more exposed to global competition, such as household appliances

The company said it had used part of the \$3,5bn of cash that it generated from earnings in the first half of the own shares.

GE's stock jumped \$1% to \$95% yesterday morning, a



Hallmark pays \$310m for UK card group

By David Blackwell

Congratulations and best wishes to Creative Publishing of the UK, which yesterday deal worth £188m (\$310m).

The takeover deal marked to pay 233p a share, a 37.5 per one of the biggest privately owned companies in the US. which leads the world in greetings card purchases.

Keith Alm, chairman of Hallmark IIK, said annual consumption of cards, mostly Christmas cards, in Britain is US: "The rest of the world

Creative was demerged only on sales of £155m for the year ing the quintessentially.

ast October from Fine Art to March 31. English Gordon Fraser and last October from Fine Art to March 31. Developments, the UK mail order group best known for its both Creative and Fine Art, terday it also announced the

Christmas hamper business, at said the two businesses would 170p a share. Hallmark Cards fit together well and end up announced its engagement to 170p a share. Hallmark Cards of the US in a UK, the British offshoot of the with about 29 per cent of the private US group, has agreed £1bn-a-year UK market. "The the first move by Hallmark, cent premium to the closing this is all about growth." price on Wednesday. Shareholders will also receive the through main street retailers ing postcards in 1910. Mr Hall.

Creative has become the largest European greeting cards producer, with 2,000 employees, three card factories and a Christmas cracker factory in northern England. In 55 a head - double that of the May the company reported a the UK for 40 years, and in from birth to death, taking in 12 per cent rise in profits 1994 acquired Andrew Brown- all stages of modern American before exceptionals to £15.2m sword's card company, includ- courtship.

and is taking on the manage-

ment team - though Mr Chapman is leaving. The group has operated in

Keith Chapman, chairman of Forever Friends brands. Yesretirement of Mr Brownsword. who was in charge of its European operations. Hallmark had sales last year

object is not rationalisation - of \$3.66bn. It is based in Kansas City, Missouri, where Hallmark sells its cards founder Joyce Hall started sellplanning to take advantage of and constantly received mail Creative's production capacity, addressed to Miss Hall, died aged 91 in 1982.

The company employs 700 artists in the US and offers cards for every occasion -

Investment hits Austrian tights group's profits

Wolford, the Austrian hosiery manufacturer, saw its shares fall by Sch44.2 to Sch785 after disclosing a steep reduction in its pretax profits to Sch173m (\$107m) in the year to April 30, from Sch280m in the previous

Fritz Humer, Wolford's chief executive, attributed the profits decline to the company's investment in new manufacturing facilities, product diversification, store openings and increased advertising expendi-

"We've already seen some benefit of the first part of this investment," he said. "And it should help us to produce double digit growth in sales and

profits this year." Wolford is also expected to take advantage of the return to fashion of opaque tights, which featured in the autumn 1998 collections of several to healthy sales growth this influential fashion houses, notably Prada, and from the

in October. this spring that Wolford's prof- and Harvey Nichols in London, its would be down in the last had placed orders for this financial year, because of the autumn. gramme and the impact of the buying Wolford's opaque womrelatively mild European win-

Wolford, which has nurtured a niche at the upper end of the hosiery market by winning a reputation for technical innovation and design flair, had ter than crumpled socks, and previously experienced robust for warmth".

unchanged dividend of Sch10

for last year. Wolford mustered a modest increase in turnover of almost 1 per cent to Schl.66bn. However, its expensive investment programme triggered a 33 per cent fall in net profits to Sch127m.

Mr Humer said Wolford had embarked on a long term plan to invest roughly £80m on building state-of-the-art production plants, which will be completed next January.

Last year, it also launched sales operations in China and the Netherlands, expanded its existing one in Japan, and opened 37 retail outlets, making a total of 197. This year, Wolford plans to open flagship stores in New York and Vienna, as well as shops-in-

shoos in Japan. Mr Humer hopes the new stores, coupled with the men's hosiery launch, will contribute

The men's range includes launch of its first range of ankle socks and knee-highs men's tights, due to go on sale as well as tights. Mr Humer said "all the big department Mr Humer warned investors stores", such as Harrods

> en's tights that the company decided to develop a special male range. Mr Humer expects men to

buy them "for aesthetic reasons, because tights look het-

Telerate disposal leads to after-tax loss for Dow Jones

By Richard Waters in New York

Dow Jones, the business information company, yesterday reported solid growth from its new, narrower range of publishing ventures during the latest quarter. But the final impact from the sale of the troubled Telerate business left it with an after-tax loss for the Michael Elimann, an analyst

period. The sale of Telerate enabled the company to report proforma earnings for the first time to reflect its continuing businesses, which have been rearranged in three new seg-ments: print publications, led by the Wall Street Journal, electronic publications, includ-

local newspaper group.

Together with a more detailed breakdown of its taxes and depreciation (ebitda) financial performance, the shift in presentation had revenues, down from 29.4 helped to shift the focus away per cent of revenues a year from Dow Jones' past problems and on to the strengths of its remaining operations, said

at Schroder in New York. The company's print operations produced revenues of \$308m in the three months to the end of June, a 6.7 per cent increase from the year

ing newswires and the Dow ness in advertising volumes in taking.

Jones' indexes, and Ottaway, a Asia and rising newsprint prices. The print business pro duced earnings before interest of \$82.3m, or 26.7 per cent of

Dow Jones' decision to sell Telerate and invest more in its print operations has drawn an After it announced in the middle of last month that it would invest \$230m to expand the Wall Street Journal, the company's shares rose 20 per cent However, profit margins in to a new record, though they Dow Jones' print business slipped back \$2% to \$56% slipped on the back of weak- yesterday morning on profit

Japanese funds growth 'set to benefit foreign groups'

Japanese banks and foreign financial groups will be the main beneficiaries of changes in Japan's growing market for mutual funds, according to Moody's Investors Service, the US credit rating agency. Mutual funds currently rep-

resent about \$300bn in assets

under management in Japan, low in comparison with other developed fund markets. But 'big bang', Japan's programme of financial reforms. has enabled foreign fund managers and Japanese banks to compete with securities

Moody's said the expected introduction of defined contri- offering both yen-based and per cent from 3 per cent of

Traditionally, mutual funds

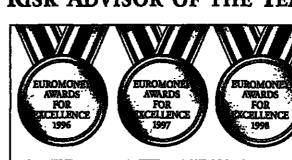
in Japan have been poorly marketed by domestic brokers, described as "huge potential previously the only institu- placing power". There are manage mutual fund management companies.

But deregulation and growing competition have combined with declining yields in popular investment areas, such as bank deposits and the stock market, to drive demand for mutual funds.

Foreign groups account for about 90 per cent to just over little more than 1 per cent of 50 per cent. Jananese hanks Japan's mutual market, but and foreign and domestic this figure is expected to grow financial groups can expect to as increasing numbers start see their share rise to about 40 bution pension plans would foreign currency mutual fund total industry assets.

provide further growth oppor- products. Domestic banks meanwhile, are positioned to gain a strong hold in the mar-ket with what Moody's tions allowed to distribute and more than 900 deposit-taking institutions in Japan. The top five banks each have about 300-350 branches. Most large banks have announced plans to start selling mutual funds. While securities houses will benefit from growth in the mutual fund market, their market share is set to fall from

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مكذا من الأصل

NEWS DIGEST

Citibank launches pilot

scheme aimed at SMEs

Citiberik, the US benking group, is launching a new division

aimed at small to medium-sized compenies, particularly in Asia. The scheme, CitiBusiness, is being rolled out in seven

pilot countries, including Hong Kong, Tahvan and Malays

In Hong Kong alone the bank says there are more than

tight and the economic conditions not as favourable, we sa

this proposition making all the more sense, and pushed sheed hoping our initiative could help alleviate some of the difficulties small and machine sized businesses are facing foday," the bank said.

Companies with an annual sales turnover below HK\$400m

(\$52m) will be offered a range of corporate banking services, including asset-backed financing, trade finance, cash man-

agement and foreign exchange management. In addition, Citybank is boiting on a number of services, including seminars

which will look at the problems faced by smaller businesses.

Indonesia may delay projects

General Electric and Mission Energy of the US, PowerGen of

the UK and Slemens of Germany could see Indonesian power projects delayed because the grid no longer needs the electricity, according to Indonesia's power utility director.

Djitteng Marsudi, president of Parusehaan Listrik Negera,

told perliament that Patton I and II, under construction in eas

power glut and cannot pay for private power it does need.

Mission Energy, General Electric and Mitsui had hoped to
start up Palton I in November. Paiton II, run by Siemens and

Mr Ditteng said earlier that PLN would make a net loss of Rp5,600bn (\$384m) only if PLN received another Rp2,300bn

government subsidy and the ruplah stabilised at Rp6,000 to

the dollar. The ruplah weakened to Rp15,500 yesterday and

subsidies are far from secure. Sander Thoenes, Jakarta

Cofir launches hotel network

Coffr, the Spanish wine and hotels group preparing an ADR

issue, said yesterday it was launching a network of two-star

hotels to broaden its market share in Spain, where it operates

66 units in the upper segment of the hotel sector. In an initial

phase, NH, the group's hotel arm, will spend Pte7.5bn (\$49m) over the next 30 months on 20 hotels, half of which will be

The initiative follows a falled partnership attempt last year

greements and NH will now operate a similar network,

between Cofir and France's Accor that involved opening 70

two-star hotels in Spain over seven years under Accor's lbis

brand name. The venture was wound up after management

NH said it was also close to securing a hotel property in

Buenos Aires, the first unit of a planned expansion in Argentina and eisewhere in Latin America. Cofir, which controls a number of upmarket Rioja wineries, bought the 34 per cent of

NH that it did not own last year from the chain's founder, and

the hotel business now represents 67 per cent of the group's

sets and 58 per cent of its sales. Total revenues at NH

Pta14.6bn, because of increased occupancy and improved

has obtained permission from the Securities and Exchange

receipts. It pioneered widely held stock ownership on Med-

acquired a 48 stake in the group in 1966 from Carlo de Bene-

Commission to trade in unlisted, over-the-counter depos

rid's Bolsa after a large group of international investors

detti, the Italian financier. Tom Burns, Madrid

climbed 22.35 per cent in the first half of this year to

PowerGen, was due to open next year. Planned investment at the plants is around \$2.6bn each. Both include local partners

em Java, could be delayed because PLN already faces a

300,000 small to medium sized companies. "With liquidity

FINANCIAL SERVICES

Louise Luces, Hong Kong

tied to former president Suharto.

called Express, on its own.

POWER

LEISURE

Tryckinvest finds white knight in Quebecor

and Edward Aiden in Toronto

16

Quebecor Printing, North America's second largest commercial printer, yester- serve as a springboard for day precipitated a rare crossborder takeover battle in Scandinavia by launching a SKr1.77bn (\$219m) white Norden, one of Sweden's largest printers.

The cash offer, which has holders by Tryckinvest's Tryckinvest by Carl Bennet, to enter a new market," Mr Tryckinvest's board, insisted

year of the battle of the indices. But the alliance

hetween the London and

Frankfurt stock exchanges

means the victor among pan-

European equity bench-

marks will emerge far more quickly than could have

The two exchanges have

declared they would like to

agree on a single family of

benchmarks for their proto-

type European blue-chip

This will almost certainly

become the key index for

European equity derivatives

and portfolio investors, mak-

ing it a glittering prize for

the index-providers. It will

also have a significant

impact on stock performance, since the indices

have different constituent

The choice will be a deli-

cate one. The London Stock

Exchange owns half of FTSE

International (the other half

is owned by the Financial

Times), which manages the Eurotop indices, traded on

the London and Amsterdam

tied the knot with Dow Jones's Stoxx indices, traded

on the Swiss, German and

Eurotop has had some suc-

French futures markets.

Meanwhile, Frankfurt has

derivatives exchanges.

been predicted.

stock market

Charles Cavell, Quebecor

chief executive, said Tryckinvest would be its first Nordic acquisition and would expansion throughout Scandinavia and into Russia.

Quebecor the largest pure knight bid for Tryckinvest i commercial printer in cash offer represented a 17 Europe, increasing its revenues to more than US\$800m invest's average share price a year in a fragmented mar-

board, trumps a hostile bid primarily driven by for a 30 per cent holding for a 30 per cent stake in synergies but by our desire has been rejected by

Benchmark race hots up as

The two exchanges plan a common index for blue-chip stocks

and their choice is of crucial importance, writes Simon Davies

It was already labelled the International is the more together. And for a large

have got off to a slow start,

while Stoxx is trading about

\$30m a day of underlying index value and is proving

successful in the OTC mar-

ket as a benchmark for mar-

But Eurotop has one big

kets within the first wave of

European monetary union.

advantage. The exchanges

are looking for about 800 blue-chip constituents for

their market, and Eurotop is

the only index-provider with

a 300-company index. This

also covers 70 per cent of the market, compared with only

about 30 per cent for the

Stoxx 50, making it a much

Wheatley, one of the London

Stock Exchange's represen-

tatives on the alliance's

"project board", says: "We

have a complex set of legal

issues to be resolved before

The outcome is of broad

significance. From January

1. vast amounts of insurance

and pension fund money in

Europe will be freed from

domestic constraints and able to be invested within

Insurance companies in

an index can be selected."

Martin

the entire euro zone of 11 stocks of the most popular

tives market, and FTSE investment funds put the basis they are the only are not comfortable with the

broader reflection.

Nonetheless.

established international number of insurance compa-index brand. However, its nies, 80 per cent of the cur-

futures contracts in London rency denomination of their

London and Frankfurt link

Cavell said in Stockholm. Quebecor has been highly acquisitive in recent years and has sought fresh growth opportunities after being outbid by Investcorp of Bahrain in its attempt to acquire Watmoughs, the UK The purchase would make printer, earlier this year. It said its SKr170 a share

per cent premium to Tryckduring the previous 20 days. Meawnhile, Mr Bennet. "The acquisition is not whose SKr154-a-share offer

> assets must match the currency of their liabilities.

So a German insurance

company, which could only

have 20 per cent of its assets

outside its national borders.

will be able to spread its

assets around the entire

euro zone, from the start of

next year. This will encour

age the use of regional benchmarks instead of

domestic ones, sparking tre-

As portfolios shift from an

almost purely domestic to a

regional focus, fund manag-

ers are likely to stick closely

to a narrow benchmark of

blue-chip stocks, so the

selected index will have a

particularly strong influence

Sandy Rattray, head of

equity derivatives research

at Goldman Sachs, argues:

mutual funds based on nar-

row indices." It is estimated

that more than \$100bn will

go into equity mutual funds

in Europe this year and that

this sum will grow at a rapid

Dresdner Kleinwort Ben-

cess licensing the index for Europe hold assets greater son argues investors should not necessarily dictate the furt and London exchanges the over-the-counter derivation than pension funds and invest in 27 "Euro-giants" on victor. If market participants are likely to be rather more

rate, channelling large fund flows into the constituent

"There will also be a lot of

mendous portfolio shifts.

He wants Tryckinvest to bid. collaborate with Elanders, a smaller printing company in which he bought a 53.7 per cent stake last year.

structures, giving some members investors greater voting power than others, make life difficult for corporate SKr15, or 10 per cent, to predators. Tryckinvest, SKr166. The company has however, has a single share

Quebecor said it had accumulated a 6.2 per cent stake in Tryckinvest, and shareholders with a further 10.3 per cent of the capital

companies in all the pan-

European indices, and will

therefore benefit regardless

of which index emerges as

he stock exchanges have

remained coy as to what

their selection criteria will be. Institutional inves-

tors will want a decision

fairly rapidly, given the cost

of shifting benchmarks and

But Mr Wheatley argues

the decision could take some

time, and that institutions

will have to take restructur-

various waves of entry into

The stock exchanges can-

therefore portfolios.

By John Gapper, Media Editor

Endemol, the rapidly expanding Dutch television

production company, has

completed the first stage of

its international strategy by

taking a 50 per cent stake in

Groupe ASP, the French pro-

Endemol's deal with

Groupe ASP, following its

purchase in February of a 50

per cent stake in Broadcast

Communications, the UK

production group, means it

is now represented in Ger-

many, Italy, Spain, the UK

Endemol, which speci-

alises in producing dramas

and quiz shows, is among

tion companies, together

with Pearson Television, a

"The big blank spot has

subsidiary of Pearson, owner

been filled with this beauti-

of the Financial Times.

the largest European produc-

and France.

the Hang Seng.

the playing field.

man connection.

diplomatic.

ing hits anyway, with the ... jocular reference to the Ger-

Endemol takes

Groupe ASP

But by providing an offi-

giving a significant tilt to

The UK's Sun newspaper

has already christened the

pan-European replacement

for the UK's FTSE 100 index,

or "Footsie". The paper came

up with the "Fritzie", in a

In making their final

choice of index, the Frank-

ing company HMG, which is

estimated to contribute 70

per cent of its television rev-

enues in the country, would

There had been specula-

remain substantially intact.

tion HMG would demand

changes in the contract, but

Mr de Mol said that although

there were "a couple of

and his partner, Stephane

Endemol said it expected

not disclosed, although the

remaining 50 per cent of the shares. Endemol will also try

to use ASP as a vehicle for

expanding further into the

Case Productions, a sub-

French television market.

sidiary of ASP, produces

popular television shows in

France including La Fureur

and Les Enfants de la Télé.

Mr de Mol said these formats

markets by Endemol.

The terms of the deal were

"considerable growth".

changed radically.

the most widely accepted.

he would not raise his bid. had undertaken to accept its

These included financial institutions UBS Capital and MB Finance, as well as Tryckinvest's senior Swedish dual share managers and board who shareholders.

Tryckinvest shares jumped had a bumpy ride since its debut on the Stockholm Stock Exchange in June at

SKr144 a share. Three days after flotation. Mr Bennet launched his offer for a 30 per cent stake,

saying he wanted to become chairman. Under Swedish law this would not oblige Mr Bennet to make a full bid, but industry observers said it would give him de facto control and might presage a merger of Tryckinvest with Elanders.

Tryckinvest had pre-tax earnings last year of SKr174m on sales of SKrl.600.

The Canadian company made pre-tax profits of \$201.6m on sales of \$3.5bn. Quebecor is being advised by Warburg Dillon Read and

trims its foreign activities

By Robert Graham in Paris

bank, yesterday announced Dresdner Bank of Germany.

ean Commission. In return for Brussels

(\$262m) a year in deposits.

the purchase of a corporate

Both the Danish and Swedish subsidiaries employ 30 people and specialise in export finance. Both banks ve balanced books handle the equivalent of

Mr Rowlinson had spent 10 years at UBS and was a member of its executive committee before the merger which created Warburg Dil-

approval of French govern-ment restructuring aid and

"We have also completed

senior executive of Union Bank of Switzerland in London, is moving to Den Danske Bank, writes Clay Harris, Banking Correspon-

ager of the Danish bank's sibility for all corporate and

and securitisation for

Crédit Lyonnais, the French a further trimming of its international operations with the sale of its Austrian subsidiary to Anglo Irish Bank, and its activities in Denmark and Sweden to The sell-off is part of

cash injections, the state-controlled bank agreed to cut back its international

nais Bank Austria in Vlenna is believed to be for a neartoken amount. The Austrian cial seal of approval, these

Tiaran O'Mahoney, a exchanges will clearly be director of Anglo Irish Bank, said: "Our experience in Austria equips us to realise

foreign exchange client porttrust business of Mees Pierson in the Isle of Man."

before October next year. Rothschild was chosen from a list of eight contend ers. Crédit Lyonnais has already selected Schroders

Mike Rowlinson, a former

As deputy general man-London branch, Mr Rowlinson will have overall responinstitutional banking and

from Paribas of France to be ciohal head of equities and lead its corporate finance and mergers and acquisitions activity in London, He was co-head of European

Most recently head of structured finance, he had also been global head of loan syndications and functional head of real estate finance

Lyonnais

moves agreed with the Euro-

The sale of Credit Lyon-

exchanges' choice, they will use another benchmark. The Hong Kong Stock Exchange still valiantly produces its family of indices, while bank employs about 30 staff investors have eyes only for and handles FFr1.6bn

the potential of the Crédit Lyonnais acquisition. folio from Hambros in Lon-don and the investment and

The exit from these

FFr6.6bn of funds. peripheral markets was government appointed Rothschild as its adviser for the privatisation of Crédit Lyonnais, which is due

as its own adviser.

things that it will not hurt Endemol to change in this deal", it would not be Groupe ASP, which was co-owned by a television perdebt capital markets. sonality known as Arthur Den Danske Bank has also recruited Erik Wenngren

Courbit, is expected to have sales of F165m (\$31,7m) in the year to August 81, and equity capital markets at two founders will retain the Paribas.

lon Read.

price margins.

The croup i

Isetan to merge with partner

Isetan, the Japanese department store group, is to merge with its property affiliate, Universal Estate, on October 1. The move is aimed at achieving efficient use of group assets. isetan, which has a 17 per cent stake in Universal Estate. and will issue 21 of its shares for one share of Universal Estate, isetan will issue 1.74m shares with the merger pro-

Other leading shareholders in Universal Estate are Tokyo Life insurance and Secom, each with 10 per cent, with Tokyo-Mitsubishi Bank holding 5 per cent. Following the merger, Isetan said it expected to post a par-

ent pre-tax profit of Y13bn (\$93m) on revenue of Y435bn in the year to March 1999, and a pre-tax profit of Y13.3bn on revenue of Y439.3bn the following year. AFX-Asia, Tokyo

THE NETHERLANDS

Océ lifts on copier sales

Oce, the Dutch reprographics group, lifted second-quarter net profits 24 per cent to Fi 73m (\$36m), on a 16 per cent rise in sales to Fi 1.54bn. Growth was strongest in its main line office systems, largely comprising copiers.

The result came in spite of a 20 per cent increase in financiel charges to Fi 35m, and a higher tex burden. For the first six months, earnings were up 25 per cent at FI 128.5m.

Océ shares, after opening higher, ended FI 4.30 down on the day at Fi 84.20. The group said at the same time it had taken over Groupware Technology, which for the last five years has worked exclusively for Océ in developing software The printroom automation system devised by the Cleveland, Onio company controls large format printers and copiers at multiple locations. Gordon Cramb, Amster

ITALY

BNL prepares for IPO Carlo Azeglio Clampi, the Italian treasury minister, said yester

day that an initial public offering for 51 per cent of Banca Nationale del Lavoro would take place just after the summer holidays, which could mean as early as September. Mr Clampi told a joint hearing of the finance commissions of both houses of pertiament that a search for institutional investors would continue, following the failure of a joint bid for a minority stake by INA, the Italian insurer, and Credit Suisse First Boston. "The IPO for at least 51 per cent of BNL will

happen right after the summer holidays," he said. "At the same time (we will carry forward the possibility of a subsequent sale of part of the part of the capital left in public hands to a bank, a group of banks, or insurers who might be inter-Last month, the Treasury rejected the INA-Credit Suisse bid

on the question of pricing. However, it accepted a bid from Benco Bilbeo Vizceya of Spain for 10 per cent of the equity. Mr Ciampl said yesterday there was "nothing stopping" INA relaunching a bid after the IPO. AFX News, Rome

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After more than four decades of unashamedly presenting the respectable face of the sex industry. Beate Ubse is now considering raising its profile even further - through an initial public offering. Beate Uhse, the sentuare.

narian founder of the privately-held German company, which operates sex shops, cinemas, a mail-order business and the world's first "erotic museum", savs she is looking at ways of fin-Outside Germany, where the company has more than

Beate Uhse has outlets in

Austria, Switzerland and

Spain. "But we are not present in the big territories -Britain, France and Italy. To get there we need capital."
Ms Uhse said yesterday. She said no final decision had been taken on whether to proceed with an IPO, but fitted from the fall of commuaction would need to be taken in the next few

to list next year. stake. The company, which eastern Germany, compared tion, such as CD-Roms.

By Charles Clover in Moscow

Russian banking has been

shaken by two high-profile

bankruptcies, boding ill for a

sector already jittery about a

possible devaluation of the

On Wednesday, the Rus-

that Unikombank, the coun-

try's 34th largest, would be

taken over, while last week

saw the failure of a rescue

attempt for Tokobank, the

Unikombank, with assets

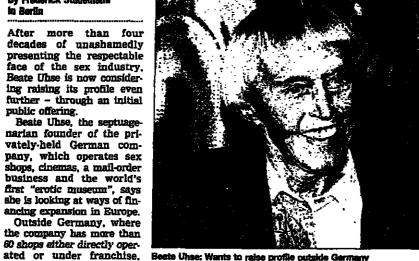
sian central bank announced much Oneximbank will have

of about \$1bn, was taken trolled by the city govern-

over by Oneximbank, the ment, agreed in May to

fourth largest Russian bank invest \$150m in Tokobank in

to invest.



Beets Uhse: Wants to raise profile outside Germany

began life after the second with some 3m in the world war selling pamphlets on birth control and operated from Ms Uhse's kitchen table, had sales last year of DM130m (\$71m).

Over the past 10 years the company has greatly benenism and the rise of Aids. When the Berlin wall was months if the company was breached in 1989 the company was quick to service If the IPO went ahead, she one of the many desires and Ulrich, her son and untapped by the communists joint-owner of the business, and now has around 2m ded into multimedia prodwould retain a majority mail-order customers in ucts and forms of distribu-

With Unikombank, Onexim-

bank will have assets equiv-

Holger Mueller, banking

analyst at Fleming UCB, the

Little is known, however,

of the quality of Unikom-

bank's loan portfolio or how

creditors can expect to suffer

losses of at least 20 per cent,

The Bank of Moscow, con-

according to analysts, if no

new investor is found.

Moscow investment bank.

The spread of Aids has encouraged many couples to stay monogamous, according to Ms Ubse, and this has spurred demand for pornographic films and magazines, sex toys, telephone sex services and titillating under-

stake. But last Friday, the

the deal after discovering

that the required investment

would be three times the

management for Tokobank

and a member of the board

of directors, says the group

cash flow problem, depend-

ing too much on short-term

make long-term loans. When

the Asia crisis struck, the

up, plunging Tokobank into

supply of foreign funds dried

Andrei Sedin, head of risk

original estimate.

alent to \$4.5bn, according to central bank withdrew from

Meanwhile, Tokobank's suffered from a short-term

ful deal," said John de Mol,

The company, which employs 600 and is based in the north German town of Flensburg, has also expan-

chairman of Endemol, which declared last year that it wanted a presence in the biggest five television production markets in Europe. Mr de Mol also insisted Endemol's 10-year deal with could be exported to other the Netherlands broadcast-

Russian banking sector shaken by failures Analysts point to the fact that the bank held forward

dollar contracts worth \$14bn,

or 50 times the bank's capi-

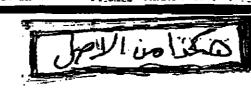
tal. From the beginning of the year until last month, Tokobank unwound \$8hn of these contracts, with unknown losses, they say. But Mr Sedin argues that these contracts were evenly hedged between sell and buy orders. "The problem with the bank is not with forward borrowing from foreigners to deals but with liquidity." The composition of the lia-

interruption of foreign credit. Reliance on foreign, dollar-denominated borrowing to fund lending in roubles, as Tokobank did, would leave many exposed to any devaluation of the Russian In addition, the banks

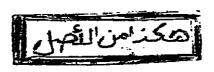
have amassed \$355bn in outstanding forward dollar contracts - more than three times the combined assets of the banking sector. This, however, covers all contracts bilities of the Russian bank-- buy and sell - so the figing system is not clear. Ana- ure says little about how lysts are unanimous that well the banking system is many other banks might hedged against devaluation.

Experts are not optimistic. "A 10 per cent devaluation of the rouble would lead to untold losses in the Russian banking sector," Vladimir Vinogradov, vice-president of the Association of Russian Bankers, said yesterday. This would cause insolvency in the Russian banking sector as a whole."

Only a handful of banks have attracted significant household deposits or built up long-term industrial loan portfolios. Most function essentially as a treasury for their shareholders, and lend predominantly in the market for government debt.







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BRAZILIAN ENERGY PRIVATISATION GROUPING LED BY GRUPO REDE BUYS CONTROLLING STAKE IN ELECTRICITY DISTRIBUTOR

Celpa sold to consortium for R\$450.3m

By Geoff Dyer in São Paulo

By Roger Taylor In San Francisco

\$117m.

The privatisation of Brazil's energy sector took another a consortium led by Grupo private sector. Rede, a Brazilian utility, a controlling stake in Celpa, for the 51.25 per cent stake mum price. the distribution company in in Celpa in an auction at the

Lucent Technologies, the

telecommunications equip-

ment company, is having

supplier of computer net-

working equipment, for

Lucent has been rapidly

expanding its data network-

sold in an energy privatisation programme which also includes the country's huge generating capacity and

The Grupo Rede-led conelectricity distributor to be minimum price the state ders paid R\$391.5m for year.

phone equipment market

bought Livingstone Enter-

prises, Prominet Corporation and Yurie Systems, which

Bill O'Shea, president of

Systems group, said LanNet would expand the company's

tions to take advantage of a switches" for office net-vice in the data world as we

market growing (ar faster works, Intelligent switches do in the voice world."

LanNet, the Tel Aviv-based all build networking equip-

ing division through acquisi-range of "intelligent

Since September it has

the shares.

The other member of the consortium is Inepar, a Bra-

ognising different types of

them accordingly.
Mr O'Shea added that the

market for this type of

more than 20 per cent a year.

for our customers is how to

offer the same quality of ser-

In May, Richard McGinn,

Lucent pays \$117m for LanNet

then the traditional tele- are machines capable of rec-

Lucent's Data Networking Lucent chairman and chief Systems group, said LanNet executive. said: "The issue

government had asked for Cemai, the distribution company in the neigh-houring state of Mato Grosso.

which could see \$30bn-\$40bn zilian telecommunications Grupo Rede, which also step forward yesterday when of assets transferred to the and electrical equipment owns four energy companies per cent. manufacturer. The National in the state of São Paulo, Development Bank provided said the group was paid R\$450.3m (\$388m) for sortium was the only bidder finance for half the mini-interested in bidding for the the group, which has stakes. The government is now Celpa covers the eastern the Amazon states of Acre jects in both Brazil and from privatisations this the northern state of Para. Rio de Janeiro stock part of the Amazon region, and Rondonia, which are Argentina, was considering year, including the planned Celpa is the 14th Brazilian exchange and offered the In November, the same hid- due to be privatised next

ment group which bought

LanNet for \$300m in June

1995. Madge said in April it

The cost of the deal, after deducting cash on LanNet's

balance sheet, would be

\$73m. LanNet said it had

revenues of about \$25m a

quarter and was "slightly profitable" in the first quar-

Mr Queiroz added that of Gerasul, the first of the Celpa would need immediate five large generation compainvestment of R\$110m to Jorge Queiroz, president of reduce its unusually high energy-loss ratio of about 30

> Rodolfo Andriani, presitake part in the privatisation month.

nies to be sold. Earlier this week, the

government said it would sell a controlling stake in Gerasul on September 1 for a dent of Inepar Energia, said minimum price of R\$945m. distribution companies in in energy generation pro- expecting to raise US\$27bn a number of invitations to sale of Telebras later this



Richard McGiret seeking quality in data service

Change of tack takes radio into the US media mainstream

ter of 1998.

data traffic and handling UK-based network equip-

equipment was growing at intended to spin off LanNet.

noticeable effect on the direction of one of the lead-

the nation's 11,000 radio stations changed hands in the past two years, Joel Klein, assistant attorney general, intervened in April when he objected to a deal which would have added four local stations to Chancellor Media's collection of 108.

"As the radio industry continues to consolidate in the wake of the Telecommucontinue to seek relief where radio mergers harm the competition that helped make radio an effective and affordable way to advertise," he

Chancellor promptly had been best known for markets.

ment may have slowed changed tack and started deals which gave it control the hell-for-leather pace of adding other assets offering of the maker of Bumblebee consolidation in the radio cheap and affordable adverindustry, but it has had no tising opportunities: billboards and, this week, local

TV stations. ers of the buying spree. With the agreed \$1.5bn-Having watched as 4.000 of plus purchase of Lin Television's dozen local stations. the company augmented the 13,000 billboards which came with last month's \$610m cash buy of Martin Media. and started its transformation from a pure radio group

into a mixed-media group. Funding and inspiration for the strategy have come from Tom Hicks, chairman of Hicks Muse Furst & Tate, nications Act of 1996, we will a Texan leveraged buy-out specialist formed in 1989 and division. As well as a 9 per which has sprung to prominence since the Telecoms Act eased restrictions on station ownership.

Before 1996, Hicks Muse

canned fish and the Chef Boyardee canned and frozen pasta products.

Since then, consolidation of radio has seen a former cottage industry reborn as a mainstream media business, in a process which has seen sector stocks rise fivefold since 1995. Infinity Radio, built up by Mel Karmazin. who in 1996 sold it to CBS, was one of the drivers of the

Hicks Muse was never far behind, and even today, combined annual revenues from its radio interests of \$1.5bn equal those of CBS' radio cent stake in Chancellor, the firm controls Capstar Broadcasting, another radio group which specialises in stations serving small- to mid-sized

touch on the brakes by Chancellor's \$1.5bn Lin buy highlights operators' strategy, says Christopher Parkes the US Justice Depart-Hicks Muse, which will double its stake in Chancel-

lor to 18 per cent through the Lin merger, bought Lin. apparently as part of a stand-alone TV business in March. At the time, analysts assumed it would form the basis for a "buy-and-build" television station operator, but as it emerged this week, Mr Hicks' intentions are

r Hicks - who made his reputation in the LBO business in the 1980s with buy-outs of the Dr Pepper and Seven Up beverage businesses - demonstrated his buy-and-build technique five years ago when he paid chemicals group DuPont \$370m for its Berg Electronics division. Within two years, Berg had bought six related com-

panies in run-of-the-mill elec-

more complex.

trical components, and joined the industry's leaders. A similar process seems to be under way with the firm's ventures in buying cinemas, another industry considered ripe for consolidation.

Until recently, Chancellor Radio, established in 1994, and Capstar were following the same track.

Although revenues are growing at about 10 per cent a vear as advertisers seek alternatives to costly television slots, and as radio operators exploit cost efficiencies resulting from acquisitions to offer competitive rates, the Justice Department's intervention served notice the US acquisitions boom may be ending.

Nevertheless, that appears

Act, which allows a single company to own up to eight stations in a single market and control up to 35 per cent of a market's advertising dollars, still allows plenty of flexibility for adding sta-

Big buys may be complicated by the Justice Department's insistence that own ership boundaries may not be over-stepped, but that has not prevented Hicks Muse reviewing the possibility of combining its media assets with those of Jacor Communications, which has about 200 stations.

With a market capitalisa tion of more than \$2.5bn Jacor would represent Hicks Muse's biggest investment to date. But after raising \$2.5bn from institutional investors last year, and another fund to offer little hindrance to of more than \$3.5bn in the Mr Hicks' declared aim of planning, money is likely to building a significant media be much less of a problem

NEWS DIGEST

VENEZUELA

Aluminium sale priced at low end, Caracas admits

The Venezuelan government has admitted that the \$1.55bn base price for the July 15 sale of the state aluminium complex is at the "low end" but insists the country will benefit through long-term investments in the industry. "It's a more realistic and attractive price, one that reflects the state of the company," said Pedro Carmona, chief consultant to the government's privatisation agency, FIV. A previous attempt to sell the Venezuelan Aluminium Corporation failed in March after three international consortia withdrew successively over the contractual terms and a base price of \$2.1bn.

The government has now revised some of the terms, including labour and electricity costs. Yet the winning bidder is still required to invest \$500m towards the plant's modernisation and environmental clean-up, albeit over a longer period. The corporation is also saddled with debt of \$1.25bn.

Two International consortia have qualified to bid for a 70 per cent stake in the 630,000 tonnes a year complex, one of the world's largest. The remaining shares will be sold to employees and domestic aluminium processing companies. Raymond Colitt, Caracas

ROYAL DUTCH/SHELL

Brussels approves Exxon link

The European Commission has given its conditional approval to a proposal from Royal Dutch/Shell, the Anglo-Dutch group, and Exxon, to put their lubricant and fuel additives businesses into a joint venture. The Commission said Econ would have to sell most of its "viscosity Index improver" business to rival Chevron in order for the proposed link-up with Shell to be in line with EU competition rules. Robert Corzine

PHARMACEUTICALS

Abbott advance surprises

Abbott Laboratories, the Chicago-based pharmaceuticals and medical equipment company, yesterday reported secondquarter earnings a shade higher than most analysts had expected, despite the impact of the relatively strong US dollar. The group said that it made after-tax profits of \$586m in the quarter to end-June, up from \$522m a year earlier. Earnings per share rose by just over 15 per cent, to 38 cents. Analysts forecasts' had averaged about 37 cents, according to the First Call research firm.

The overall sales total rose to \$3.07bn, up 5.7 per cent year-on-year - aithough Abbott said sales would have been up by 9 per cent but for foreign exchange movements. The strongest growth came on the hospital and laboratory products division, where there was a 9 per cent sales rise to \$1.33bn and an underlying rise of 12.4 per cent without exchange rate factors. On the pharma were up by 3.5 per cent, to \$1.73bn.

The second-quarter results left Abbott reporting after-tax profits of \$1,17bn in the first half of 1998, up from last time's \$1.06bn, Nikki Tait, Chicago

INVESTMENT BANKING

Deutsche keen to replace team

Deutsche Bank has made the replacement of the US technology specialist team which defected last week to Credit Suisse First Boston a high priority. One reason for urgency is the team which turned down the chance to join Frank Quattrone and some 70 colleagues in the move to CSFB.

The German bank, however, is not believed to have any specific deals close to fruition. Moreover, its desire for a quick solution strengthens the bargaining position of potential recruits or acquisition targets.

Michael Philipp, worldwide head of equities, has sounded a note of desperation in a conference call intended to boost morale. According to the Bloomberg news agency, he told US staff the Quattrone team's departure had left a "gaping hole", adding: "If we don't do anything, we're sitting here dead in the water." Clay Harris, Banking Correspondent

ENERGY

Enron consortium wins project

A consortium led by Enron, the US energy company, won a \$640m contract to expand a natural gas project in eastern Venezuela. The group is to build, own, and operate two gas extraction plants with a total capacity of 800m cu ft per day. "With this tender we are opening Venezuela's gas sector [to private investment]," said Nelson Borjas, vice-president of PDV Gas, a subsidiary of state oil company PDVSA.

Enron's partners in the consortium are Accro Barbados, a subsidiary of TransCanada Pipelines, and Venezuela's Tecnoconsult. The companies said the stake each will hold is yet to be defined. The operation is scheduled to begin in 2001, after which PDV Gas will pay the consortium a production fee over 20 years. Raymond Colitt

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in 167 wants a double bed in his office.

We halve that it for rooms with more effectively then so will you in every Marriott hatel, we provide rooms where you are repect a distance for the large percent was telephones a large desk and a comfortable bad. In fact wherever you are in the world you'll be able to ask on with your business while we get on with ours. I making sure you are

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US billboard industry sees strong growth

Leading US consumer products makers are turning the fast-growing radio and increasingly to outdoor advertising to supplement promotions on television and radio and in the print media, writes Christopher

Parkes in Los Angeles. Consistently lower costs cost of reaching 1,000 potenand improved poster-making technology helped the industry increase sales last year to the nation's top 25 advertisers by 32 per cent, accord-Reporting, a monitoring and

Cable television improved 22 per cent, while broadcast networks - which still claim the biggest national audience - increased their revenues from this group of advertisers by less than 10

television company which specialises in small to medium-sized regional and local According to the Outdoor

Advertising Association, the

targets by Chancellor Media

tial consumers with a hillboard starts at 77 cents for an eight-sheet poster, compared with more than \$5 for slots in prime-time radio ing to Competitive Media during the morning and evening commuting periods. and up to \$18 for commercials during prime-time network television pro-The billboard industry.

which promotes itself with the slogan "It's not a medium, it's a large", said film studios, led by Walt Dis-Billboard companies have ney, were among the biggest been selected as acquisition spenders last year.

Inco agrees to sell alloys unit

By Scott Morrison in Toronto

Inco, the world's largest nickel producer, has agreed to sell its alloys operations -- to Special Metals, the US super-alloy producer, for an expected US\$408m.

troubled Canadian company's strategy of divesting non-core assets to focus on prices. its primary metals business and to raise funds to develop its Voisey's Bay nickel proj-

While the purchase price based on Inco Alloys International's net worth up to

ted to record an after tax gain of approximately Net proceeds from the sale

of US\$395m will go toward reducing Inco's US\$1.6bn debt. Analysts said the sale is a small positive long-term The sale is part of the step for the troubled company, which has been hit hard by slumping nickel

The sale to Special Metals been delayed by environ- jobs and reduce costs.

approval, including antitrust putes with Newfoundland's clearance, but observers expect the transaction to proceed. Special Metals, hampered by a stalemate which had 1997 revenues of US\$186m, produces superalloys primarily used in the aerospace industry. Both

Analysts said the sale A previously agreed sale of should provide Inco with mine and smelter. Inco alloys division to the more financial flexibility to Blackstone merchant bank- move ahead with the Voising group for US\$410m was ey's Bay project. This, the blocked by the US Justice world's largest undeveloped is subject to adjustment - Department due to antitrust nickel deposit which Inco

rolled products.

closing - Inco said it expec- is also subject to regulatory mental and land claim disnative groups. Development has also been

> project proceed as planned. The company maintains that Inco's and Blackstone's alloy the fall in price of nickel has operations produce flat- rendered economically unviable its original proposal to invest US\$1.4bn in a

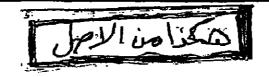
Lower metals prices has prompted Inco, which has recorded two consecutive quarterly losses, to announce earlier this year a acquired for C\$4.3bn, has restructuring plan to cut

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COMPANIES & FINANCE: ASIA-PACIFIC

Plagued by Vietnam's heartbreak hotels

Foreign developers are feeling the consequences of over-ambition, writes Jonathan Birchall

welcome its first guests. 300 firm opening date. staff had been recruited, and the kitchens had served nomic crisis in Asia and the months, with more than money. watchful eye of the general manager.

later, the staff has gone, the phones have been cut off, of next year." and the 18-storey building stands empty.

"They've run out of money," said a cab driver by over-ambition of investors the closed hotel gate. Even who came to the country in before it was completed or the early 1990s. Add in the occupied, the Hanoi Sheraton is up for sale, along with other hotels in Malaysia and South Africa owned by ers' Armageddon. Faber Group, a division of the troubled Renong conglomerate.

Meanwhile, at an adjacent tlake Hotel, a low-rise, 400rean private investor, and

東部 Exam [6]

& Burney,

ast November, the new. According to Emile Thai, the than \$400m into almost a costs. At the 411-room Dae-2000 room Sheraton hotel project's general manager, dozen luxury hotel develop- woo Hotel, which opened in un Hanoi, the Vietnam- the building is 80-85 per cent ments in the capital. ese capital, was preparing to complete, but there is no

practice meals under the business climate here in 1,200 rooms. Apart from the Victnam, we are definitely not planning to open this Now, just over six months year," says Mr Thai. "Maybe in the first or second quarter

Over the past six months, Vietnam's hotel sector has become a monument to the effects of the regional economic crisis, and Hanoi has turned into an hotel develop-

Five years ago, the city had only one luxury hotel. the Sofitel Metropole. Foreign business people, flocksite, work has all but ing to a country billed as the stopped on the Lien Wes- next Asian tiger, found themselves paying up to \$100 room development backed a night for a room in a guest of the newer hotels, and tional, is still owed money by Sonnie Lien, the Singapo-house run by the Vietnam-room rates heavily dis- and that about \$10m is

Hanoi now has four luxury hotels, two of them com-Sheraton and the Lien Westlake, three hotels were heading for completion this is facing restructuring in year, including the 260-room, Japanese-backed Hotel Nikko Hotel, and the 300room Hanoi Hilton, backed by French investors.

he Asian crisis, meanwhile, has produced a sharp drop in the number of visitors in an oversupplied market. In the first six months of the year, tourist and business arrivals in Hanoi and Ho Chi Minh City dropped 10 per cent on the previous year, to about 800,000 people.

low as 15-20 per cent at some

early 1997, expatriate staff has been cut reduced and staff lighting and air-condi-"Judging from the eco-pleted in the past nine tioning reduced to save

> Apart from the Faber Group, other Asian investors are under pressure. Daewoo Korea, raising questions about its readiness to maintain its investment in its Hanoi hotel. There are similar questions about Indonesia's Ciputra and PT Metropolitan Groups, both investors in the \$58m Horison Hotel, which opened in November, and about the future of the unfinished. \$70m Centre Hotel in the centre of Hanoi, built by

Company.

Sources close to the Faber O,000 people. Group's Sheraton project say Minh City, a planned Grand With occupancy rates as the contractor, Hong Kong-Imperial Hyatt remains halfbased Gammon Internarean private investor, and ese army. Subsequently, counted, hotels are strug-needed to complete the Pengkalen Holdings. The Malaysia's Pernas Holdings. Asian investors poured more gling to meet operating development. A new owner opening of the city's new

also have to work with Faber's existing local partner. Ho Tay Corporation, an investment arm of the ruling Vietnamese communist Thailand's SAS Trading party.

Outside Hanoi there are similar difficulties. In Ho Chi Imperial Hyatt remains halffinished - evidence of the problems affecting the principal Malaysian investor, opening of the city's new replacement costs". Vietnam is clear," he says.

Case zumber 98/14903

by Japan's Kotobuki Holdings and 90 per cent completed, has been indefinitely delayed.

Wooton, the property consultants, and Host Marriott Corporation, of the US, have formed a Singapore-based available elsewhere. ioint venture which they say is seeking "a unique opportunity to acquire quality hotels in Asia at significant discounts to

of the West Lake site would Saigon Marriot Hotel, backed will be included in it's brief. However, according to Malcolm Kerr, of the Hong Kong-based Kaplan Consult ing Group, new investors Meanwhile, James Lang will be wary of Vietnam's reputation as a difficult place to do business, while hotel bargains are becoming

> "People will be looking for countries where there has been significant depreciation of assets, and where the legal position on ownership

O&M and **Singleton** form link

Ogilvy & Mather Worldwide, part of WPP Group, and Singleton Group, a leading Australian advertising agency. are merging their advertising operations in Australia and New Zealand, writes Russell Baker in Sydney.

Singleton, Ogilvy & Mather Holdings will be twothirds owned by the Australian-listed group and onethird by Ogllvy.

John Singleton, chief executive of Singleton, said he had been exploring affiliaagency groups and Ogilvy represented "an excellent fit with our client base, our size and philosophies".

He added: "The combination of our Australian-ness and Ogilvv's established international network gives us a unique position in Australian advertising."

Geoff Wild, chairman and chief executive of Ogilvy, said the merger accorded with his group's objective "of being in the top five agencies in every country in which we operate".

Case number 98/14903

Order of Court

IN THE HIGH COURT OF SOUTH AFRICA IWITWATERSRAND LOCAL DIVISION

IOHANNESBURG, 29 JUNE 1998

CONSOLIDATED METALLURGICAL INDUSTRIES LIMITED (Incorporated in the Republic of South Africa) (Registration number 75/00230/06)

("CM)" or "the Applicant")

Upon the motion of counsel for the Applicant, and upon reading the notice of motion and other documents filed of record -IT IS ORDERED THAT -

1. A steeting (the "Scheme Meeting") be convened in terms of section 311(1) of the Companies Act, 1973 (Act 61 of 1973), as amended I"the Act"), of the holders of the 10% cammlative convertible preference shares of 10% units each of the Applicant registered as such at the close of business on the day (excluding Saturdays, Sandays and public holders) immediately preceding the date of the Scheme Meeting, other than Suddeckurs South African Holders (Proprietary) Limited ("Suddeckurs") ("the Scheme Members"), by the chairman mentioned in paragraph 2 of this Order, to be held at 09:20 (or so soon thereafter as the Scheme of Arrangement in terms of Section 311 of the Act proposed by Suddeckurs between CM1 and its ordinary shareholders, other than Suddeckurs, to be held at 09:20 on Tuesday, 28 July 1998, shall have been concluded or advorated to a Tuesday, 28 July 1998 at the Applicant's registered office, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001, for the purpose of considering and, if devened fit, approxing, with or without modification, the Scheme of Arrangement dated 6 July 1998 ("the Scheme"), between the Applicant and the Scheme Members as contained in annexance C to the Founding

. Charles Lectural Valkin, a director of attorners Bowman Giffilm Harmen Godfrey Incorporated (or, fuding him, such other independent attorney or advocate nominated by Werksmans), be and is hereby

- appears acretimeers for the purpose of the Scheme Meeting.
- 2.2 determine the validity and acceptability of forms of printy submitted for the Scheme Meetings 2.3 adjourn the Scheme Meeting from time to time if he considers at is necessary to do so; and
- 2.4 determine the procedure to be followed at the Scheme Meeting and any adjournment thereof. The Order of Court and a notice convening the Scheme Meeting will be published once in each of Business Day, Beeld, The Sanday Tunes, Busi

- 3.2 that the Scheme Meeting has been summoned in terms of this Order to consider and, if deer
- 3.3 that a copy of this Order and the terms of the Scheme may be inspected during normal business hours at any time prior to the Scheme Meeting at the registered office of the Applicant, being Consolidated Building, Corner Fix. and Harrison Streets, Johannesburg, 2001 (PO Box 590, Johannesburg, 2000); and 3.4 that a copy of this Color and the explanatory statement in terms of section 312(1) of the Act may be obtained upon request by any Scheme Member free of charge from the Applicant at the time and place

sed in pursyraph 3.3 of this Order 4.1 the nature concerns the Scheme Meeting attached to the papers before the above Homograble Court, showing the time, date and place of the Scheme Meetings

- 4.3 the Scheme.
- 4.4 the Order of Court: and
- () the torm of proxy in the form stracked to the papers before the above Hou
- shall be sent by the Applicant by per-paid registered post at least 2 thin) weeks before the date of the Scheme Meeting to each of the Scheme Members at the addresses as reflected in the register of shurcholders of the Applicant not store than 4 (four) calcular days before the date of such posting.
- 5.1 the Scheme and the explanatory statement in terras of section \$12(1) of the Art substantially in the form of the explanatory statement and the Scheme attached to the papers before the above Honourable Court. 3.2 the notice convening the Scheme Meeting substantially in the harm of the notice attached to the papers before the above Homourable Court.
- 5.3 a form of group in the form attached to the papers before the above Honourable Court; and
- shall be for impection and may be obtained free of charge at least 2 (1900) weeks prior to the date of the Scheme Meeting during normal business bours at the abovementioned registered office of the Applicant. 6. The charman of the Scheme Meeting shall report to war of an allidavit the results thereof to the above Honourable Court on Theoday, 11 August 1998 at 1960 or so soon thereafter as counsel may be heard. 7. The report required by the above Honourebic Court book the chairman of the Scheme Meeting shall comply with the requirements of section FE of the Practice Manual of the above Honourable Court.
- 5. The chamman of the Scheme Meeting shalf make available at the abovementioned registered office of the Applicant (and the notate of the Scheme Meeting which is published and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting which is published and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting which is published and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting which is published and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting shalf mediate as statement that it will be no available a copy of the chairman's report to the above Honourable Court, free of charge, to any Scheme Meeting which is published and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting shalf mediate and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting shalf mediate and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting shalf mediate and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting shalf mediate and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting shalf mediate and sent to the shareholders of the Applicant (and the notate of the Scheme Meeting shalf mediate of the Scheme Meeting shalf media Arm Scheme Member wishing to rote by proxy shall by not later than 09:30 on Monday, 27 July 1998, and at the abovementioned registered office of the Applicant, tender as his proxy the form of proxy in the torst of the proxy externed to an paragraph 5.3 of this Order. In addition, forms of proxy may be handed to the chairment of the Scheme Meeting nor later than 10 (ten) minutes before the Scheme Meeting is

10. In the creat of acceptance of the Scheme by Scheme Members and upon sanction thereof by this court, in addition to lodgement of form 15 in the second schedule to the Act, as is required by 5.93, the Applican is in holgs with the Regest at oil Companies, within the time prescribed by 5.93, an affidiwit setting our that: 10 ! the district and note of the new CMI vedicary shares was in fact made to Suddickits, setting out the date of such allotment and issue together with a photocopy of the register in proof thereof, and

to ? the consuleration parable therefor was paid in accordance with the requirements of \$52 before the allotment and issue of the said shares, setting out further the date of payment of such considerate Werksmans Chambers West Wing, 22 Girton Road Parknown, 2193 (PO Box 927, John Telephone: (0) 1: 488 (000 Facsimile: (011) 484 3100 (Refer: Mr Iza Epstein)

Order of Court

IN THE HIGH COURT OF SOUTH AFRICA (WITWATERSRAND LOCAL DIVISION)

Case another 98/14905

in the explore application -

CONSOLIDATED METALLURGICAL INDUSTRIES LIMITED (Incorporated in the Republic of South Africa) (Registration number 75/00230/06)

i pon the mation of counsel for the Applicant, and upon reading the notice of motion and other documents filed of record

IT IN CREDITED THAT
1. A recture, the "Scheme Meeting") be convened in terms of section 311(1) of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), of the holders of the ordinary shares of 105 cents each of the Applicant represent as such at the close of business on the day (excluding Saturdays, Sundays and public holdays) immediately preceding the date of the Scheme Meeting, other than Soldeletta South African Applicant's registered as such at the close of business. He that shares mentioned in puragraph 2 of this Order, to be held at 09:00 on Theaday, 28 Jely 1998, at the Applicant's registered office, Consolidated Horking, University I Langed I that is an Street, inhamentury, 2001, for the purpose of considering and, if deemed fit, approving, with or without modification, the Scheme of Arrangement dated 6 July 1998 ("the Scheme"), between the Applicant and the Scheme Members as contained in anneative C to the Founding Affiliavit. Scheme i, returns in Applicable and the Scheme College of Schemes College Incorporated (or, falling lime, such other independent attorney or advocate nominated by Werksmans), be and is hereby 2. Charles I constal Vallan, a district of attorneys Roseman Gillfüllan Hayman Godfrey Incorporated (or, falling lime, such other independent attorney or advocate nominated by Werksmans), be and is hereby

grantied as charmen of the Scheme Meeting with authority to

appoint accuminess for the purpose of the Scheme Meeting.

cernate the validaty and acceptability of forms of petrty automated for the Schetor Meeting.

all sub-strit the Scheme Meeting from tome to time d be considered is measuring to do so; and 2.4 descriming the procedure to be inflowed at the Scheme Meeting and any adjournment thereof.

2.4 describing the processor to be processing to be processed as the contract of the contract before the date of the betterne Alecting. The said motion shall made -3.1 the time, date and senue of the Scheme Meeting. 3.7 that the 's hence Merting has been satisfactoral in terms of this Order to consider and, if deemed fit, approve with or without modification, the Scheme;

that the Telegraph of the Cross of the Scheme may be unspected during normal business hours at any time prior to the Scheme Meeting at the registered office of the Applicant, being Count in the Scheme Meeting at the registered office of the Applicant, being Count in the Scheme Meeting at the registered office of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant, being Count in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the registered of the Applicant in the Scheme Meeting at the Registe Building, Lorner For, and Harrison Streets, tohannesburg, 2001 (PO Box 590, johannesburg, 2000); and Unitable Control of the Control of the Control of the Applicant at the time and place that a copy of the Control of the Contro

4.1 the potent conversing the Scheme Meeting attached to the papers before the above Honourable Court, showing the time, date and place of the Scheme Meeting.

4.2 the explanators statement in terms of nestion 312(1) of the Act.

shall be sent by the Applicant by pre-paid regulered past at least 2 (160) weeks before the date of the Scheme Meeting to each of the Scheme Members at the addresses as reflected at the register of sharehold of the Applicant too make their date of such posting.

5. Unjoy of .

6.1 the Scheme and the explanation statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement and the Scheme statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement in terms of section 312(1) of the Act substantially in the farm of the explanatory statement in terms of the explanatory statement in the explanatory statement in the explanatory statement in the explanatory statement i

1.1 the return case on a quantum amount and the farm of the notice strathed to the papers before the above Honorable Court,

4.3 a form of pictur in the sorm attached to the papers before the above Honourable Court; and

4 the Cheer of Court.

the Direction of Court.

the Direction and may be obtained too of charge at least 2 (two) weeks prior to the date of the Scheme Meeting during normal business hours at the abovementioned registered office of the Applicant shall lie has surpretion and may be obtained too of charge at least 2 (two) weeks prior to the date of the Scheme Meeting during normal business hours at the abovementioned registered office of the Applicant shall lie has suspend to the support of the support The charmen of the Scheme Meeting train report or way at the Scheme Meeting shall comply with the requirements of section FE of the Practice Manual of the above Honourable Court.
The report required by the above Honourable Court

The report required by the above Honourable Court, involved and the above Honourable Court, and the notice of the Scheme Meeting, which is published and sent to the shareholders of the Chautman of the Scheme Meeting, which is published and sent to the shareholders of the Chautman of the Scheme Meeting, which is published and sent to the shareholders of the Applicant shall make a sharehout that it will be as available a copy of the chairman's report to the above Honourable Court, free of charge, to any Scheme Member on request, at least 1 tone) week prior to Applicant shall make a sharehout that it will be as available to a copy of the chairman to report took to it. Applicant shall me that a sample in that a wai be so maintain to report back to at the date into \$17 the above 8 hoteurable Court for the chairman to report back to at. the date inted by the above Montavite Count me the constraint of report men or proxy in the shorementioned registered office of the Applicant, render as his proxy the form of proxy in the Anny Schring Members withing to visit be proxy shall be not later than 09:00 on identition, forms of proxy may be handed to the chairman of the Scheme Meeting not later than 10 (ten) marmes before the Scheme Meeting is here of the proxy reterred to an paragraph 1,3 of this Under in addition, forms of proxy may be handed to the chairman of the Scheme Meeting not later than 10 (ten) marmes before the Scheme Meeting is

ion thereof by this court, in addition to lodgement of form 15 in the second schedule to the Act, as as required by \$.93, the Appli iii. To the every of acceptance of the 5cheme by Scheme Members and upon space I. to the every of reterplanes of the 'n write or neutral phenomenated by \$93, an afficient petring our that: at to lorder with the Registrar of a companies, within the time prescribed by \$93, an afficient petring our that: as to lorder with the Registrat of Companies, within the come pursuance of some persons are surrounded to Sadeleiters, acting out the date of such allottoms and inner together with a photocopy of the register in proof thereof, and in 1 the allottoms and passe of the new Chil collisions which are considered to the new Chil collisions which are considered to the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collisions and the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collision of the new Chil collision of the new Chil collisions with a new Chil collision of the new Chil collision of the new Chil collision of the new Chil collisions with a new Chil collision of the new Children of the ne

in 1 the albitrarit and raise of the new consequence with the requirements of \$.52 before the allotment and same of the said shares, setting our number the date of parament of such consideration.

102. The authors with periods: therefore with peak in accordance with the requirements of \$.52 before the allotment and same of the said shares, setting our number the date of parament of such consideration. Werksmans Arpheant's Anomey Werkamus Chembers West Wasg, 22 Girton Road Parlacers, 2193 (PO Box 927, Johannesburg, 2000)
Telephone: (011) 488 (000 Farniarde: (011) 484 3100 (Refer: Mr les Epstein)

Notice of Preference Scheme Meeting

IN THE HIGH COURT OF SOUTH AFRICA JOHANNESBURG, 29 JUNE 1998

in the ex parts application -CONSOLIDATED METALLURGICAL INDUSTRIES LIMITED

(Registration number 75/00250/06) (Incorporated in the Republic of South Africa)

Notice is hearby given that in terms of an Order of Court dated Monday, 29 June 1998 in the above matter, the High Court of South Africa (Witwaterstand Local Division) ("the Court") has ordered, in accordance with the provisions of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), that the meeting described below ("the Scheme Meeting") be convened under the chairmanship of Charles Leonard Valkin, a director of attorneys Bowman Gilfillan Hayman Godfrey Incorporated (or, failing him, such other independent attorney or advocate nominated by Werksmans), for the purpose as described below.

In terms of the said Order of Court, a meeting of the holders of the 10% complative convertible preference shares of 105 cents each of the Applicant other than Südelektra South African Holdings (Proprietary) Limited ("Südelektra") ("the Scheme Members") will be held at 09:30 (or so soon thereafter as the scheme of arrangement in terms of section 311 of the Act proposed by Südelektra between CMI and its ordinary shareholders, other than Südelektra, to be held at 09:00 on Thesday, 28 July 1998, shall have been concluded or adjourned) on Thesday, 28 July 1998 at CMI's registered office, Consolidated Building, corner Fox and Harrison Streets, Johannesburg, 2001, for the purpose of considering and, if deemed fit, approving with or without modification, the scheme of acrangement dated 6 July 1998 ("the Scheme") proposed by Stidelektra between the Applicant and

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 5 of the Scheme, Südelektra will effectively acquire all of the preference shares of Scheme Members who are registered members of CMI on Friday, 14 August 1998 for a cash consideration of 1 620 cents per share.

A copy of the Scheme and the explanatory statement in terms of section 312(1) of the Act, explaining the Scheme, as well as the Order of Court authorising the convening of the Scheme Meeting has been sent to Scheme Members and copies may, on request by any Scheme Members during normal business hours, at any time prior to the Scheme Meeting, be inspected at or obtained free of charge from the registered office of the Applicant, Consolidated Building, Corner Fox and Harrison Street, Johannesburg, 2001.

Each of the Scheme Members registered as such at the close of business on Monday, 27 July 1998 may attend, socak and vote in person at the Scheme Meeting or may appoint any other person or persons (who need not be Scheme Members) as a proxy to attend, speak and vote in such Scheme Member's place.

The necessary form of proxy has been sent to Scheme Members. Additional forms of proxy may be obtained on request from the Applicant's abovementioned registered office.

Each signed form of proxy must be lodged with or posted to the Applicant's registered office, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001 (PO Box 590, Johannesburg, 2000) to be received not later than 09:30 on Monday, 27 July 1998 or handed to the chairman of the Scheme Meeting not later than 10 (ten) minutes before the time for which the Scheme Meeting is convened on Tuesday, 28 July 1998.

Where there are joint holders of any of the applicant's Preference Shares, any one of such persons may vote at the Scheme Meeting in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders is present or represented at the Scheme Meeting, that one of the said persons whose name stands first on the register in respect of such shares or his proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he were the sole holder of such shares.

In terms of the Order of Court dated Monday, 29 June 1998, the chairman of the Scheme Meeting will report the results thereof to the Court at 10:00 on Tuesday, 11 August 1998 or so soon thereafter as counsel may be heard. A copy of the chairman's report to the Court will be available (free of charge) to any shareholder at the abovementioned registered office of the Applicant during normal business hours at least one week before the date fixed by the Court for the chairman to report back to it.

Chairman of the Scheme Meeting

CHARLES LEONARD VALKIN

Werksmans Chambers West Wing, 22 Girton Road Parktown, 2193

(PO Box 927, Johannesburg, 2000) Telephone: (011) 488 0000 Facsimile: (011) 484 3100 (Refer: Mr Ira Epstein)

Notice of Ordinary Scheme Meeting

IN THE HIGH COURT OF SOUTH AFRICA OWTWATERSRAND LOCAL DIVISION)

FOHANNESBURG, 29 JUNE 1998

in the ex parte application -CONSOLIDATED METALLURGICAL INDUSTRIES LIMITED (Registration number 75/00230/06) (Incorporated in the Republic of South Africa)

Case number 98/14905

Notice is hereby given that in terms of an Order of Court dated Monday, 29 June 1998 in the above matter, the High Court of South Africa (Witwatersrand Local Division) ("the Court") has ordered, in accordance with the provisions of section 311 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), that the meeting described below ("the Scheme Meeting") be convened under the chalcmanship of Charles Leonard Valkin, a director of attorneys Bowman Gibillan Hayman Godfrey Incorporated (or, failing him, such other independent attorney or advocate nominated by Werksmans), for the purpose as

In terms of the said Order of Court, a meeting of the holders of the ordinary shares of 105 cents each of the Applicant other than Stidelektra South African Holdings (Proprietary) Limited ("Stidelektra") ("the Scheme Members") will be held at 09:00 on Tuesday, 28 July 1998 at CMI's registered office, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001, for the purpose of considering and, if deemed fit, approving with or without modification, the scheme of arrangement dated 6 July 1998 ("the Scheme") proposed by Südelektra between the Applicant and the Scheme Members.

The basic characteristic of the Scheme is that, subject to the fulfilment of certain conditions precedent which are stated in paragraph 5 of the Scheme, Südelektra will effectively acquire all of the ordinary shares of Scheme Members who are registered ers of CMI on Friday, 14 August 1998 for a cash consideration of 1 550 cents per share.

A copy of the Scheme and the explanatory statement in terms of section 312(1) of the Act, explaining the Scheme, as well as the Order of Court authorising the convening of the Scheme Meeting has been sent to Scheme Members and copies may, on request by any Scheme Member, during normal business hours, at any time prior to the Scheme Meeting, be inspected at or obtained free of charge from the registered office of the Applicant, Consolidated Building, Corner Fox and Harrison Streets, Johannesburg, 2001.

Each of the Scheme Members registered as such at the close of business on Monday, 27 July 1998 may attend, speak and vote in person at the Scheme Meeting or may appoint any other person or persons (who need not be Scheme Members) as a proxy to attend, speak and vote in such Scheme Member's place.

The necessary form of proxy has been sent to Scheme Members. Additional forms of proxy may be obtained on request from the Applicant's abovementioned registered office. Each signed form of proxy must be lodged with or posted to the Applicant's registered office, Consolidated Building, Corner

Fox and Harrison Streets, Johannesburg, 2001 (PO Box 590, Johannesburg, 2000) to be received not later than 09:00 on Monday, 27 July 1998 or handed to the chairman of the Scheme Meeting not later than 10 (ten) minutes before the time for which the Scheme Meeting is convened on Tuesday, 28 July 1998. Where there are joint holders of any of the applicant's ordinary shares, any one of such persons may vote at the Scheme Meeting. in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders is present or represen

proxy, as the case may be, shall alone be entitled to vote in respect thereof, as if he were the sole holder of such shares. In terms of the Order of Court dated Monday, 29 June 1998, the chairman of the Scheme Meeting will report the results thereof to the Court at 10:00 on Tuesday, 11 August 1998 or so soon thereafter as counsel may be heard. A copy of the chairman's report to the Court will be available (free of charge) to any shareholder at the abovementioned registered office of the Applicant during normal business hours at least one week before the date fixed by the Court for the chairman to report back to it.

at the Scheme Meeting, that one of the said persons whose name stands first on the register in respect of such shares or his

Chairman of the Scheme Meeting CHARLES LEONARD VALKIN

Werksmans Applicant's Attorney Werksmans Chambers West Wing, 22 Girton Road Parktown. 2193

(PO Box 927, Johannesburg, 2000) Telephone: (011) 488 0000 Facsimile: (011) 484 3100 (Refer: Mr Ira Epstein)

COMMENT

Somerfield

suropean b

Somerfield plans investment of \$1.64bn

bids by investment trusts - a type of trust invented in

for other trusts have been the 1960s that offers different

ital growth.

By Peggy Hollinger

Somerfield, the supermarket group which recently took day announced a £1bn sales growth for the indus-(\$1.64bn) investment proдталите.

Aberdeen Preferred Income

Trust's hostile bid yesterday

for most of rival Scottish

National Trust's £600m

(\$990m) in assets could set

off a flurry of poaching raids

in the investment trust sec-

tor. "We will see a lot more

of this happening as other

ucens Moat Houses has

long struggled with the

notoriety it earned

from its near-collapse

under a mountain of debt in

ual improvement in its

finances over the past couple

of years has attracted the

attention of potential bid-

ders, including investment banks and US trade buyers.

subject of "serious interest"

according to some consul-

tants - speculative interest

in the shares has helped to

triple their value since the

The takeover speculation buoying Queens Moat shares

has been rampant through-

out the hotel industry over

the process with US inves-

tors, including real estate

investment trusts (reits).

Vaux, the brewing group,

has had offers for its Swal-

low hotels and Thistle, the

UK's second largest hotel

operator, is in talks. Some

groups, such as Stakis and

potential predators and take-

over targets. Despite a slow-

down in room price growth,

prices for botel assets con-

tinue to rise in a manner

reminiscent of the top of the

The £520m purchase this

year of the Savoy Hotel

Acquisitions, a company

controlled by Blackstone and

previous hotel cycle.

Ladbroke, are seen both as

among the most frequently

cited potential acquirers.

beginning of the year.

The company is now the

As Queens Moat shares triple in value,

Scheherazade Daneshkhu looks at

the past year. Expectations December. It is also of consolidation have driven embroiled in a legal battle

takeover fever in the hotel industry

By Jean Eaglesham

tive, said the sharp declines suffered by Kwik Save ing two disparate businesses before the merger in March had been stablised and the over the struggling Kwik Somerfield stores were Save discount chain, yester- returning above average

Analysts were broadly It said it planned to create pleased with the results, and 5.000 jobs as it posted a 12 some nudged up this year's per cent rise in underlying profit expectations for the combined group from about David Simons, chief execu- £190m to about £200m.

funds pitch in." said one

able takeover activity in the

£60bn investment trust sec-

tor in recent years, triggered

by the deep discounts on

many trust shares relative to

the underlying value of their

assets. But the discounts

also meant that takeover

Cliveden, another luxury

hotel group, is being bought

by Destination Europe, a

consortium of US investors

which includes Bill Gates,

head of Microsoft, the computer company, for £465,000

On the face of it, Queens

Moat, a three and four-star

hotel group, does not look an

obvious target. The company

teetered on the brink of col-

lapse after the last recession

in the early 1990s and its

shares were suspended for

more than two years before

being relisted in 1995 after a

Queens Moat still has

heavy borrowings - net debt

stood at £811m at the end of

with four former directors

who claim they were wrong-

But Mark Finnie, leisure

analyst at BT Alex.Brown,

whose decision to tip the

shares as a strong buy in

February has contributed to

their rise believes the com-

pany is an important - but

In its favour, trading has

been unexpectedly good,

helped by the continuing

strength of the UK hotel sec-

tor, where it makes two-

thirds of its profits. Operat-

two years from £44.7m in

group by Blackstone Hotel still unappealing, has instruments as well as an

become more manageable.

setting a new record for which would wipe out its net most of its hotels are in the

Net liabilities, which once

The debt situation, while

1995 to £57.3m last year.

forgotten - industry force.

fully dismissed

financial restructuring.

From the notoriety of near-collapse to hot target

with a combined total of about 1.400 stores remained fraught with risk, they said. "They are still in the foothills on this one," said one analyst. "They have not account for most of the film even begun scaling the rock-

In addition, said another five years. Mr Simons said analyst, about 60 per cent of the group had "absolutely no the business was showing intention" of seeking fundunderlying sales declines.

Aberdeen bid could prompt asset raids

Aberdeen Preferred is able

to buck the trend because its

shares are trading at a pre-

mium of more than 20 per

cent to underlying assets. It.

and Scottish National, are

part of a £7bn band of

so-called split capital trusts

Queens Most: an important

but forgotten player

liabilities if it was converted

into equity. But the debt

burden will increase next

year when the interest rate holiday on £267m of junior

term debt ends and another

tranche of senior term debt

£50m - has to be repaid.

ted to be partially met

through the sale of hotels in

many, However, a refinanc-

ing looks almost inevitable,

Queens Moat's main

appeal to a potential bidder

and is likely to include debt

equity issue.

These payments are expec-

Mr Simons said the group would convert 62 Kwik Save stores to the Somerfield brand. But the real conversion programme would begin in earnest next year.

that Somerfield planned to Kwik Save suffered a 1.7 per \$277.9m of sales and \$7.6m in invest over the next four to ing from shareholders for ing sales.

classes of shares which give

This geared structure

means the trusts have done

well on the back of the

strong UK stock market run.

The potential for bids is

Netherlands, where trading tal expenditure as a propor

tion of turnover - 9 per cent

last year - has been in line

which have drifted from a

The shares are on a multi-

ple of 10.5 times this year's

forecast earnings before

interest, tax and deprecia-

them look relatively good value - albeit in an arguably

overpriced market - for a

bidder willing to tackle the complications of Queens

and take a punt on the Euro-

Shares in Walker Greenbank

jumped 15 per cent yester-

day, after the wallpaper and

fabrics group announced it was returning £42m (\$69m)

to shareholders from the

£70m sale of its commercial

announced the disposal in

April as part of a strategic

decision to focus on the lux-

ury fabrics and wallpaper

market, said it had drawn up

a "shortlist" of companies it

Charles Wightman, chief

executive, said the compa-

nies he was eyeing were

quoted companies.

with the rest of the money.

wallcoverings business. The company, which

Greenbank plans

£42m cashback

pean hotel cycle.

closed yesterday at 36%p.

with its competitors.

coptinues to improve, and in

Germany, which is still a dif-ficult market and where the

group has some hotels it

hopes to sell. Last year it

sold 25 UK hotels - one-third

of its UK portfolio - for

£91.5m to Hambro European

Ventures, since renamed

Although some analysts

believe the company's weak

branding is a drawback oth-

ers argue this could increase

its appeal to branded groups

wishing to add hotels to

The company has admitted

ment in its hotels, but capi-

Duke Street Capital.

their own portfolios.

investors exaggerated expo-

Mr Simons said he was pleased with Somerfield's performance. In the first 10 weeks of the financial year,

Somerfield stores had Conversions would increased comparable sales by 3.9 per cent. However, cent decline, while the group's Food Giant discount chain and its Gateway stores also continued to show fall-

ding for up to £400m of Scot-

the trust winds up in Sep-

tember. It is is unlikely to be

Pre-tax profits, excluding the 36 day contribution from Kwik Save and after adjustments for exceptional occurrences, rose from £101.6m to £114.2m, on sales 0.2 per cent

Kwik Save contributed pre-tax profits since merger. Mr Simons said there were about £1m of exceptional gains which had flattered Kwik Save's contribution.

The squeezing of UK high street food retailers has been a business school classic for so long, it is easy to forget it higher at £3.2bn.

still goes on. Ground down by out-of-town megastores on

agents' push for control

Cox Insurance, the specialist Lloyd's of London group, has

The group is prepared to pay 50p per £1 of capacity on a highly profitable syndicate, number 1176, which specialises in the insurance of nuclear power stations -25 per cent more than it offered last year.

competitors. That makes Unusually, the group has sought the support of members' agents, who advise Names on their affairs at Lloyd's, for its offers, It said Moat's £811m debt mountain member's agents handling £89.8m, or 55 per cent of the capacity, were supportive.

Struck "the right halance

between a return of value to

shareholders and the reten-

tion of sufficient funds to develop the business by

Walker Greenbank pro-

poses to hand the money

back through the issue and

repurchase of B preference

shares, representing 47 per cent of its market capitalisa-

tion. Its ordinary shares

at Williams de Broë, said the

company was returning "such a big slug" to share-

holders. But he believed it

was motivated by a possible

to keep institutional share-

Jeremy Hilditch, analyst

gained 9½p to 74n.

acquisition".

Cox joins

joined the push by leading underwriting agents to acquire control of the businesses they manage. It is raising 265m (\$107m) to buy from Names their right to back three Cox syndicates. The offer comes ahead of next week's annual auctions

Cox said it would fund the the capacity, with the rest

Offers of 20p per £1 of capacity on a motor insurance syndicate, number 218. and 22p for a broader-based syndicate, number 1485 writing marine, aviation and non-marine business - represent premiums of 54 per cent and 47 per cent respectively

tion - cheaper than most capacity.

one side and bargain-basement discounters on the other. Somerfield has suffered from stagnant sales spread thinly over an expanding cost base. Offering fresh produce during longer hours, and throwing in free home-delivery, does not come cheap. Buying the Kwik Save

discount chain will clearly provide some reprieve: s crunching out £50m-plus

outperformance since January.

at Lloyd's, which allow Names, the individuals whose wealth has traditionally backed the insurance narket, to realise value on their participation. It follows similar offers by Wellington Underwriting and Goshawk

purchase of £162.5m of syndicate capacity through a 2-for-13 rights issue at 400p. A maximum of £39.9m of the proceeds will be used to buy being used to meet Lloyd's

The offers to Names for canacity on the three syndicates it manages show that the value placed on participation at Lloyd's is rising quickly.

recent high this year of 43%p

over offers in 1997. There are share alternatives of 56p, 22.4p and 24.6p for the syndicates per £1 of

split cap trusts, including the biggest one, Scottish National, are due to wind up before the end of next year. Aberdeen Preferred is bid-

two chains' own-label products.

The risk of losing Kwik Save customers unwilling to accept Somerfield's mark-up should not be underestimated

Windfall profits Labour's green paper on utility regulation, already watered

down, looks thankfully like being stripped of the one Old Labour fig-leaf it contained. The attempt to channel windfall profits towards consumers via a new "correction mechanism" was wrong-headed. Profits do not fall into neat categories. A utility may benefit from lower input prices, but some managements may be quicker than others to spot the trend and lock into future contracts at keener prices. Where does management skill stop and luck start?

Another glaring problem with the proposal was its asym-

costs should hold margins for a while. And progress in

arresting Kwik Save's sales decline - just 1.7 per cent down

in the first 10 weeks this year from 3 per cent last year

will help too. But this does not justify the shares' 75 per cent

Somerfield's strategy for top-line growth is questionable

Any competitive advantage in home shopping and petrol forecourt sites is hard to spot. And converting Kwik Save

stores to the Somerfield format must be delicately handled.

Duplicating marketing budgets is a necessary evil. But

brand confusion may occur anyway from intermingling the

metry. There can be freak losses as well as freak profits, but the government would hardly expect customers to suffer for the former. Existing regulation makes a fair fist of ensuring ntilities pass on savings via price cuts. If regulators get hoodwinked, they already have the power to spring a surprise price review on their charges.

NEWS DIGEST

TRANSPORT

Arriva in talks to increase presence in Netherlands

Arriva, the transport group that last month issued a profits warning, is in talks to buy VSN-North, a Dutch bus operator. VSN-North runs services in five Dutch provinces, and has an annual turnover of about £100m (\$165m). It has 750 buses and 800 vehicles for disabled travellers, and employs about 3,500 people. Analysts estimate it could cost about £40m. The deal would significantly expand Arriva's presence in the

Netherlands, where the government intends to introduce competition into regional bus and rail operations by 2000. The group's Dutch subsidiary operates municipal bus services in Maastricht. Flevoland and Groningen and has turnover of £15m. It will finance the acquisition from its own resources.

News of the talks received a muted response. Analysts said investors wanted to hear more about Arriva's plan to spin off its car leasing division, announced last month with the profits warning. Profits at the leasing division are expected to be lower this year and Arriva has appointed NM Rothschild to examine its options. The group said the process had just started and it was too early to say whether it would sell or demerge the division. Jonathan Ford

CHEMICALS

Brent to focus on surface coatings

Brent International, the chemicals company, is to dispose of more than half its operations to focus on surface coatings, its most profitable business. The company has decided to sell its packaging-related inks and coatings and imaging management businesses. Analysts estimate the divisions, which last year accounted for £76.9m of sales of £134m, will raise

Brent also warned that trading in the second quarter had been hit by the strong pound and by "economic conditions" In the UK manufacturing sector. The imaging business had been affected most and was trading at levels below those achieved in 1997. However, news of the reorganisation lifted the shares. They rose 13p to 1161/2p.

Keith Hutchings, chief executive, said the company aimed to use the proceeds to expand in continental Europe and North America and was in discussions on possible acquisi-

ELECTRONICS

Critchley warns of slowdown

Critchley, the maker of high-technology labels and electronic components, warned yesterday that the strong pound and subdued demand from the telecommunications industry threatened to slow profits growth. Ian McCullum, chief executive, said demand for components from European telecommunications companies had slowed since Deutsche Telekom completed its modernisation programme several months ago. Warburg Dillon Read, its broker, cut the full-year forecast from £11.5m to £10m. The shares fell 871/2p to 7621/2p.

Notice of a Change in Agent Notice is hereby given that, with effect from July 1st, 1998, Citibank (Lucenbourg) S.A. has transferred its role of Poying Agent, Transfer Agent, Exchange Agent and Register (the "Lucembourg Agency Roles") (with the exception of CITEOND SICAV "A") to Banque Internationale a Lucembourg ("81.").

was interested in buying only surprise was that the

either privately-held or shortage of suitable acquisi-owned by much larger tion candidates and a desire

He said the decision to bolders on board.

Lucembourg ("BL").
From July 1st, 1998 all presentations of Coupons, Nates and Bands
relating to issues for which Citibank (Lucembourg) S.A. (or Citicorp
investment Bank Lucembourg S.A.) is identified as the Paying Agent
should be presented to Bl., for payment, at one of their branches in
Lucembourg. In addition to this all communications in relation to these
functions should also be directed to Bll. of the following address and
contact details:

Sengue International a Luxembourg sociale anonyme 69, route d'Esch 1-2953 otion, Fiscal and Listing Agencies
Tel: 352 45901 Fox: 352 4590 4227 Telex Nbr: 3826 billux

Any questions relating to the transfer itself can be directed to one of the Citisonik (Luxembourg) S.A. Alin: Corporate Agency and Trust Tel: 352 44 22 40 60 Fax: 352 44 22 40 70 Citibank, N.A. London

CITIBANCO

LOTHBURY Lothbury Funding No.1 PLC £144,000,000 Class A1 Notes Mortgage Backed Floating Rate Notes

due 2031

Notice is hereby given that there will be a principal repayment of £4,984 per £100,000 Note pursuant to Clauses (5b) of the Notes on the interest payment date 10th July 1998. The principal amount outstanding on 11th July 1996 will therefore be £3,702 per Note.

GREENWICH NATWEST

wystle on Sun October, 1998. Laterium der Lancesbourg Start Gertrag

RESULTS (16) (41.6) 0.811 1.01 (0.615) (1.72) (2.07) 1.575 0.25 1.25 17.6 1.2 0.5 0.3 Oct 1 Yr to Mar 31 274 (5.81) Matrix Healthcare O ... 6 miles to Mar 31 1.45 (0.767) 0.285L (141.4M) 8.46 (10.6) 1.65\(\frac{1}{2}\) (0.083) (6.53) (1.13) 13.2L 9.15 8.16 _____Yr to Mar 31 165.280 _____ Yr to Mar 31 9.98 Yr to Apr 25 3,484 (3,201) 11.1L4 Total last NAY (p) Earnings (Exc) EPS (s) payment (p) ___ Yr to June 30 393.5 (348.8) 3.98 (3.82) 12.84 (11.67) 4.9 Sept 4 12.25 Earnings shown basic Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. VAlter exceptional charge.

ing profits rose over the past France. Belgium and Ger-

represented £725,000 a room has £98m of convertible debt Europe. Outside the UK, making the necessary invest-

EBC Traded Currency Fund Limited

Colony Capital, two US- stood at £449m, have fallen

based investment groups, to £76m. But Queens Moat

NOTICE of the FOURTEENTH ANNUAL GENERAL MEETING of Shareholders to take place on the 7th day of August, 1998 at 10.30 am.

NOTICE is hereby given pursuant to the Articles of Association of EBC Traded Currency Fund Limited ("the Company") that the Fourteenth Annual General Meeting of the Company will take place on the 7th day of August, 1998 at 10.30 am at EBC House, 1-3 Seale Street, St. Helier, Jersey, Channel Islands for the purposes of considering and if thought fit, passing the following Ordinary Resolutions: Resolution

1. That the Financial Statements for the period ended 31st ch 1998 together with the Report of the Directors and the Auditors thereon be received, approved and adopted.

2. That Messrs. Coopers & Lybrand who have signified their appointed the Auditors of the Company for the ensuing year and that the fee payable to them in respect of the year to 31st March, 1999 be determined by the Directors.

By order of the Board EBC Fund Managers (Jersey) Limited

Dated the 10th day of July, 1998

NOTES The holder of a Continental Depositary Receipt ("CDR") may overclose his voting rights by depositing the CDR at the office of American Depositary Company N.V., 172 Spuistraat, 1012 VT Amsterdam, The Netherlands (the "Depositary") and by Instructing Artistation in the resistance (will be published a first by instructing the Depositary as to the exercise of the voting rights ettached to the Shares evidenced by such CDR. In the absence of such instructions, the Depositary will exercise such voting rights or refrain from doing so, as it thinks fit in the interests of the holder.

2. Copies of the Audited Accounts to 31st March, 1998 may be obtained from the Manager, EBC Fund Managers (Jercey) Limited, PO Box 556, EBC House, 1-3 Seale Street, St. Helier, Jersey, JE4 8XL, Channel Islands.

3. There are no service contracts with the Directors.

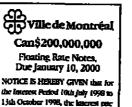
PINAULT PRINTEMPS-REDOUTE

is likely to be its exposure to it faces an ongoing struggle

FIVE-FOR-ONE STOCK SPLIT

The Extraordinary General Shareholders' Meeting held on 5th June 1998 has decided to carry out a five-for-one stock split on the nominal value, thus bringing it down from 100 francs to 20 francs in an exchange of one old share of 100 francs nominal value against 5 new shares of 20 francs nominal value.

The Management Board has fixed the date of 17th July 1998 for putting this transaction into effect, which will be implemented without special formalities for the shareholders.



Note, Car\$155.42 per Car\$10,000

will be 5 056% per susum. The laterest payable on 13th October, 1998 against Coupon No 15 will be Can\$13.34 per Can\$1,000

Note. and Cans 1,334 22 per The Bank of New York London an Calculation Agents (Alb July 1998)

Appointments Advertising

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday. For further information

please contact: Toby Finden-Crofts +44 0171 873 4027

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July 10, 1998, London By: Otherk, NA. (Chiel Agency & Tree Service)

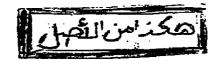
Cheung Kong Finance Cayman Limited U.S. \$500,000,000 Guaranteed Step-Up Floating Rate Notes due January 2001

For the interest period 9th July, 1998 in 9th October, 1998 the Noise will carry an interest rate of 6,3875% per annual, with an interest amount per annum, with an interest and of U.S. \$61.62 per U.S. \$5,000 Den institute Note and U.S. \$1,637.36 per U.S. \$100,000 Denomination Note,

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EURO PRICES

EQUITIES

European bulls pull in horns

EUROPEAN OVERVIEW

background proved too slipped again ahead of the 14.96 to 2,983.7 while the tiles. much for the bulls to over- weekend upper house elec-

A profits warning from shine off another strong markets. opening performance from

Amsterdam, Frankfurt, with some sale-haven buying

Russian President Yeltsin's strength of the US dollar, its recent gains. The record-breaking run of health and some frustration which traded around Other sectors to fall by European stock markets at the lack of consistency finally came to a halt yester-day as a poor international ments on tax policy. The yen hackground proved to slimed or in characteristics which traded around other sections which the slime of the lack of consistency and detail in Japanese statements on tax policy. The yen the lack of consistency of the lack of the lack

DuPont, the giant chemicals Bank of England, decided to group. sent Wall Street leave rates unchanged, but comprising stocks in counlower when New York in the German bank's case started trading and took the this was no surprise for the

Core European bond markets were generally higher,

-19 035 95.905 +0.010 96.115

Sctt price Change 2995 0 -27 0 3030.0 -27.0

OTHER INDICES

ks to increa

Netherland

實 特拉特拉斯

Paris, Stockholm and Zurich of German bunds in the had all moved into unknown territory in early trading,

But when Wall Street ing sector, as BG, the erritory in shrugging off worries about opened lower, even the gas group, retraced some of

tries which will adopt the nents, except property, euro in the first wave, moved ahead. slipped 3.64 to 1,086.36.

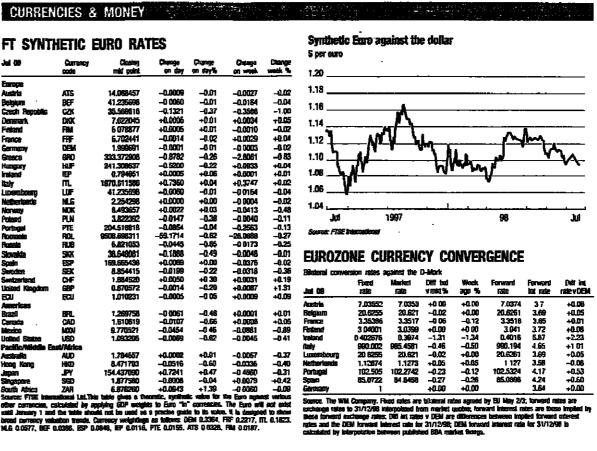
The financial sector was 5.02 or 0.4 per cent to the only one of the major bank of England decided to the control of the major industry. 1,290.46.
The FTSE Ebloc 100 index, industry groups to be stronger on the day, gaining 0.5

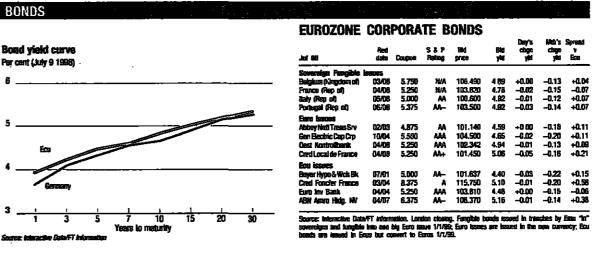
The construction sector Allianz and Dresdner Bank

German insurance giant

managed to rise			MeLe	linked	in	merger
trend, gaining	1.4 per	cent	rumou	rs.		
FTSE Actuari	ies Sha	re Inc	lices	Ευ	ronea	n series
Produced in conjun	eiha wit	title Fa	ens ythe			
July 9						
Hational & Regional Markets	Ec: index	Day's	ctange points	Yield gross %	저 6년 7번	Total retr. (Eczs)
FTSE Eurotop 300	1290.46	-0.39	-5.02	2.21	18.79	1320.91
FTSE Eurotop 100 FTSE Ebloc 100	2983.70 1088.36	-0.50 -0.33	-14.96 -3.54	2.23 1.85	24.89 11.95	1063.30 1099.10
FTSE Eurotee 300 Region	 12			•		
Eurobio;	1359.64	-0.29	-3.99	1.86	18.01	1384.47
UK Europe Ex-Eurobioc	1173.47 1233.58	-0.52 -0.49	-6.11 -6.02	2.85 2.59	21.62 18.58	1215.87 1266.30
Europe Ex-UK	1357.50	-0.32	-0.92 -4.42	1.91	17.18	1379.61
FTSE Eurotop industry S	ectors		_			
RESOURCES	997.92	-0.41	-4.06	2.89	19.78	1032.09
Extractive Industries	807.95	-1.75	-14.41	3.27	0.00	807.95
OG, Integrated OG, Exploration & Prod	963.44 957.02	-0.35 -0.36	-3.40 -3.50	2.88	12.96 6.00	976.39
GENERAL MOUSTRIES				2.59 2.28		957.02 1304.26
	1281.59	-0.69	-8.93		17.70	
Construction Building Matts & Merchs	1027.19 1065.17	+1.43 -0.10	+14.51 -1.10	2.51 2.50	11.05 7.65	1039.13 1072.59
Chemicals	1106.31	-0.64	-7.12	2.55	15.96	1123.91
Owersified Industrials	1051.56	+0.55	+5.76	210	16.20	1068.12
Bectronic & Elect Equip	1084.71 1076.29	-1.00 -1.02	-1092 -1195	1.68 3.08	3.25 8.97	1088.11 1083.61
Englacering Paper, Pckg & Pshilling	968.29	-0.59	-11.05 -5.75	244	1.21	962.49
COMSUMER GOODS	1210.06	-1.04	-12.72	1.52	13.21	1237.29
Automobiles	1209.25	-1.24	-15.22	2.12	8.23	1218.39
Alcoholic Beverages	1038.10	+0 40	+4.16	2.19	5.82	1044.32
Food Producers Hoesehold Goods & Texts	1055.79 1092.33	-1.09 -2.13	-11 <i>.7</i> 5 -23.73	1.59 1.71	7.80 7.01	1074.84 1099.46
Healthcare	1050.28	+0.39	+4.08	6.25	9.52	1060.95
Phermaceuticals	1030.22	-1.15	-11.94	1.31	2.07	1032.39
Tobacco	1088.40	-0.66	-7.19	3.99	1.81	1090.45
SERVACES	1270.59	-6.72	-9.25	2.07	16.08	1299.38
Distribution	977.79	+1.13	+10.91	2.22	11.37	988.77
Lessure & Hotels Media	991,39 1088,89	-0.66 -0.09	-6.59 -0.98	2.55 2.14	8.12 3.92	999.31 1092.99
Retailers, Food	1070.71	-1.23	-13.35	284	9.18	1080.71
Retailers, General	1033.76	-0.21	-2.14	2.55	13.17	1047.06
Telecommunications	1143.06	-105	-12.15	1.83	7.38	1151.35
Breweries, Pubs & Rests Support Servoss	955.80 1096.91	-0.61 -0.09	-0.91 -5.77	3.19 8.92	8.69 5.66	964.45 1103.16
Transport	1108.14	-0.07	-0.76	2 22	7.82	1116.52
Information Technology	1224 45	-2.17	-27.16	0.33	223	1227.23
जर ाह	1412.85	~1.04	-14.87	3.19	5214	1488.08
Electricity	1058.23	-0.96	-10.28	3.37	24.85	1095.03
Gas Distribution	1126.42	-2.33	-26.89	168	84 81	1232.34
	1080.81	+0.87	+9.35	4.85	38.72	1122.09
PRIANCIALS	1429.25	+0.50	+7.08	2.30	29.87	1460.17
Banks Retail	1026.17	+0 17 +1.06	+1.73	283 1 <i>2</i> 6	8.03 8.25	1034.49 1963.22
lesurance Life insurance	1050.36 1162.76	+1.15	+11.12 +13.18	182	3.19	1166.62
Other Fagnical	1030.86	+0.97	+9.95	1.95	13.23	1044,47
Importment Consumes	1073 29	*U 24		234	20.65	1093.34

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4.85	38.72	1122.09	Portugal
2.30	29.87	1460.17	Spare
سي	201	1900.17	"OUTs"
283	8.08	1034.49	Demark
126	8.25	1953.22	Greece
182	3.19	1166.62	Sureles

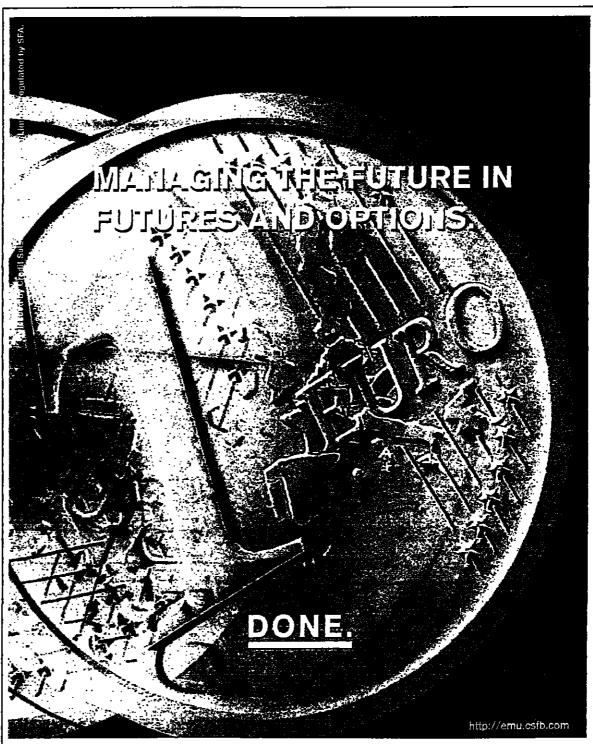




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As the euro approaches, experienced and reliable guidance in hedging and risk reduction will be essential. At Credit Suisse First Boston, our extensive presence in Europe and the rest of the world, offer clients the benefits of dealing with a broker with global scope. Our familiarity with the European exchanges, backed by our market share, means we are ideally positioned to compete for the "euro" derivatives contracts. And we are planning ahead for the change from open outcry to electronic trading, to give our clients more options in the evolving euro market. Change means opportunity.

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Interest rate news lifts Europe

GOVERNMENT BONDS

By Jeremy Grant in London and Richard Tomkins in New York

Core European bond prices jumped to a higher close yesterday as the UK and Germany left key interest rates unchanged, with bunds as Spain, Italy and Ireland boosted in late trade from fresh litters over the state of Russian finances and early

strength in US Treasuries. Relief swept through the Bank of England's interest rate decision, steadying investors' nerves after weeks of uncertainty in UK bond markets.

The Bundesbank, as expecunchanged at its council meeting. However, Hans Tietmeyer, bank president, re-opened the debate over the pace of Emu interest rate convergence by warning that a German interest rate rise kets," said Ifty Islam, fixed may be necessary this year if income strategist at Deut-

zone members fail to tighten fiscal policies.

Eugenio Domingo Solans. European Central Bank board member, meanwhile, called for faster conver-

Economists say countries on the Emu periphery such may have trouble lowering interest rates if their economies continue to steam

In spite of bond yields hovering at lows, analysts say there is potential for bond prices to push higher if emerging market sentiment sours further over Russia's

"I think Russian uncerted, left interest rates tainty and resulting flight to quality is probably a good thing for [German] bunds. Volatility in the short term will reduce the appetite for emerging market risk, which will benefit safe haven mar-

the day slightly higher, extending their gains during the morning on political uncertainty in Japan and a strengthening of the dollar

against the yen. 30-year bond was up 🖁 at and increasing pessimism 107%, yielding 5.597 per cent. that the government would The 10-year note was up % at be willing or able to intro-1011, yielding 5.401 per cent, duce needed economic and the two-year note was up is at 99 is, yielding 5.408 per cent.

The day's session was pre-

weekly figures for US jobless claims, which showed a surprising drop of 1,000 to 392,000 in spite of the General Motors strike. Analysts had expected the strike to result in a 30,000

increase in claims. In fact, the unadjusted figure rose by nearly this amount -29,000. But after seasonal adjustment, the effects of the strike were disguised by the normal two-year shut-

US TREASURIES started automotive industry at this time of year. After starting only mod-

estly ahead, the 30-year the morning as the market switched attention to At noon, the benchmark the elections in Japan

UK GILTS closed higher, cheered by a decision by the Bank of England's monetary ceded by the release of the policy committee to leave interest rates at 7.5 per cent. The short end of the yield curve outperformed the long end, as expected given its sensitivity to interest rate

reforms.

The September 10-year gilt future settled 0.60 points higher at 109.15 in heavy volume of 87,000 contracts traded. In the cash market, the spread between the benchmark gilt and bund contracts narrowed by 7

Analysts said it was not yet clear whether interest rates had peaked, and gilts were likely to remain caubond strengthened during tious until there were clear signs that this was the case.

"There are plenty of people who think the Bank's waiting for the August inflation report. But our view is that it should be the last [rate] move because the MPC will see more evidence of the economy slowing," said Julian Jessop, chief European economist at

Nikko. "There are also fears out there that the Bank may still raise rates," he said. Key inflation and average earnings data are due next week. Both have been an increas ing focus of the MPC's infla-

GERMAN BUNDS hitched a ride with higher US Treasuries towards the close of trading in Europe, with the September 10-year bund future settling 0.13 points up

because of concern over stalled economic reforms and the threat posed to its balance of payments position by slowing foreign currency The move comes five months after the agency

downgrade. Bankers said that, comhined with the effects of the Asian financial crisis and the currently poor state of emerging debt markets, the downgrade would further delay the the communist country's debut on the international capital markets.

Vietnam

on reform

Moody's Investors Service

the rating agency, yesterday

concerns

By Jeremy Grant

Hanoi in March said it was pressing ahead with plans for a \$100m-\$150m eurobond of between three to five years' maturity this year. Nomura and Merrill Lynch won a mandate to co-lead manage the issue in 1995. "I imagine it's on the back

burner given what's going on in the [Asian] region, how there's been no progress on the reforms, as well as the local currency looking overvalued. It comes as do surprise," said Chris Portman, senior analyst at ANZ

nvestment Bank. The IMF and World Bank have cautioned Hanoi against incurring further commercial debts in view of its low debt service capacity. a sharp slowdown in exports and foreign investment. Moody's said that the

gains from a decade of economic reforms were dissipating and that the maintenance of macro-economic stability could not be

OTC DERIVATIVES PLANS FINALISED rating cut

LCH clearing system ready for launch

lowered Vietnam's sovereign credit rating to B1 from Ba3 The London Clearing House, the body that clears and settles transactions for com- the LCH assumes such risk modity and futures proposed clearing service in against positions on other the over-the-counter derivatives market.

placed Vietnam's long-term The system, known as debt on review for possible SwapClear, is expected to be launched by August 1999, assuming it receives approval from regulatory authorities including the Commodity Futures Trading Commission in the US.

"This will be the first ever clearing system in the OTC derivatives market," said David Hardy, LCH chief executive. The system, which will initially he availshie for straight interest rate swaps of up to 10-year maturity, is expected to include the leading banks in the giobal market.

Once it is off the ground, LCH will look at extending clearing facilities to crosscurrency swaps and to contracts of longer duration.

The LCH, which is 75 per cent owned by its members including leading banks. said the facility had been devised at the request of its members.

Officials say the system will provide a number of benefits. First, banks will be able to free more credit lines by shifting exposure from their bilateral counterparty to the LCH. Exposure limits between banks using the system will thus be put to

improve their return on capi-

INTERNATIONAL BONDS

better use. Second, banks using the system will be able to

tal by freeing collateral that would have been provisioned against counterparty risk. As the central counterparty,

Return on capital can also exchanges, yesterday said it be hoosted as users can had finalised plans for its cross-margin their exposure markets which are cleared by the LCH, such as the London International Financial Futures and Options

> Third, banks can cut backoffice costs by reducing the number of counterparties they deal with. The LCH becomes sole counterparty the moment the contract is put through SwapClear.

The LCH believes savings on operational efficiency will more than make up for the £250,000 (\$412,500) cost of joining the system. The average fee on a swap is estimated at £40.

Meanwhile, executives at the International Securities Markets Association, the self-regulatory body for the eurobond market, are hopeful they can reach a deal within the next few weeks to include the LCH in ISMA's new automated bond trading system. The automated system, known as Coredeal, is expected to be launched in

Under the deal, the LCH would act as the central counterparty for Coredeal, providing, for the first time, a proper clearing facility in the secondary bond markets.
"Within the next six to

eight weeks there is a good chance we will have a memorandum of understanding with the London Clearing House," said Roy Lambert, managing director of ISMA.

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Fannie Mae launches \$2bn add-on

INTERNATIONAL BONDS By Edward Luce

Fannie Mae, as expected. came to the markets yesterday with a \$2bn add-on to the \$3bn global bond it launched in May. The combined total of \$5bn makes it

improvement in market sentiment over the past two earlier offerings in euros and days, Fannie Mae priced the lira. deal at the lower end of its

indicated range. points over the Treasury, the converted into euros - will bond was priced to yield 3.5 make it the largest 10-year basis points more than

the spread widening that has taken place in the mean-

About two-thirds of yesterday's tranche - lead managed by CSFB, Merrill Lynch and J. P. Morgan - went to US investors, according to one official.

The EUROPEAN INVESTthe largest non-sovereign MENT BANK also took dollar bond in the 10-year advantage of the mild improvement in sentiment to launch a DM3bn offering which will be fungible with

The combined total - of bond from a non-sovereign the initial launch spread borrower in any currency. Elsewhere, traders in Lonlast May – an indication of "These large and very liq-don said there were strong this year."

New international bond issues E US DOLLARS E D-MARKS European invittient Bankfol Ste of Baden-Wuestrember Hungarian Foreign Trade Bk E ITALIAN LIFE Deutache Bank 99.70R Jul 2013 0.50R Final terms, non-calloble unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. Pt fixed re-offer price; fees shown at re-offer level, of Callable after 2 yrs at per. b) Fungible with Elbin and L3,000bn upon Ermu. br) Priced today. cl. £300bn launched on Tuesday was increased to L400bn. Callable on 31/7/03 and 08 at per. cl) 10% in yr 1, 6% in yr 2, then 15% - 2 x 12-mth Libor. \$ Long 1st coupon.

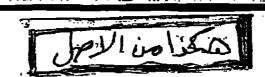
ner Kleinwort Benson.

about E5bn once the D-Mark uid bonds are popular with rumours Ukraine was expec-At a spread of 37.5 basis and lira tranche have been investors at times like ted to return to the internathese," said an official at tional bond markets for the CSFB, joint lead with Dresd- third time following its double-digit coupon bonds in Elsewhere, traders in Lon- D-Marks and euros earlier

Depfa, the German bank is to issue a 10-year global Pfandbrief in the next few weeks totalling at least DM4bn. The bond will be lead managed by Commerzbank and Goldman Sachs.

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Banc One 08/02 7.25 A+ 104.1546 8.07 +0.01 -0.09 +0.85 US Wast 01/07 7.30 888 105.5437 8.44 - +0.25 +0.98	West Disney 06/00 8.625 A 107-3000 4.59 -0.03 -0.18 +0.20 BB FRN 03/01 4.692 AAA 100.0736 4.190.20 -0.24
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PAMA 02/18 8.95 M/A 134.8382 5.92 +0.02 -0.16 +0.30 - PPC8 08/06 8.95 M/A 120.6120 5.67 +0.01 -0.16 +0.25	ABN Asaro 06/07 7.125 m/s 105.7713 6.27 -0.02 -0.15 +0.87 Ousbec 91/07 7.000 A+ 105.5119 6.16 -0.01 -0.13 +0.78
· · · · · · · · · · · · · · · · · · ·	CRICORP FRM 02/04 5.754 A+ 100.4915 5.55 -0.02 -0.01 +0.15
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Pacaka 08/04 10.75 B- 99.7500 0.00	Toronto 05/04 8.500 AA+ 113.8762 5.650.02 +0.16 Bail Caracta 07/98 10.825 A+ 104.7706 5.60 -0.03 -0.06 +0.96
NY etgény, Standard & Poor's, railege. Yujdy, speil-creased leads. Source: Internation DataFT Information.	Deutsche B FRN 09/02 5.875 AAA 100.9321 5.62 -0.01 -0.04 +0.16
US INTEREST RATES	World Bank 03/02 5250 AAA 115.6509 0.92 +0.01 +0.13 -
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1 Up to 5 years (18) 118.70 0.32 118.32 2.07 5.52 5 yrs 2 5-15 years (19) 162.36 0.53 161.50 1,76 6.31 15 yrs	6.20 6.31 7.00 6.25 6.37 7.08 6.20 6.32 7.12
3 Over 15 years (5) 208.51 0.38 205.72 2.07 6.32 20 years	5.47 5.51 7.00 5.62 5.66 7.07 5.72 5.75 7.13
4 irradesmables (4) 263.82 0.50 252.50 2.50 7.46	5.71 5.74 7.16
5 All stocks (46) 155.13 0.42 154.48 2.01 6.16	-
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Superson	Jul 9 Jul 8 Yr. ago Jul 9 Jul 8 Yr. ago 5 yrs 3.02 3.08 3.57 2.38 2.42 2.57 1 yrs 2.58 2.61 3.60 2.40 2.43 3.41 % and over, † Ret yield, yet Year to date. Jul 9 Jul 8 Jul 7 Jul 9 Jul 3 Yr ago Right Lear Fixed interval 143.97 143.78 143.87 143.95 143.88 125.17 146.76 115.32 (1990)175, lear 48.18 (1990)175, Reed interval tigh mice compliates: 148.76 (1906)59, lear 50.33 (1906)79, lear 149.18 115.32 (1990)175, lear 48.18 (1990)175, Reed interval tigh mice compliates: 148.76 (1906)59, lear 50.33 (1906)79, lear 149.18 115.32 (1990)175, lear 48.18 (1990)175, lear 48.
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CURRENCIES & MONEY

D-Mark weakens on Russia fears

MARKETS REPORT

By Daniel Dombey

Premonitions of difficulties in particular, banking ties ahead in Russia weakened between the two countries. the D-Mark against the dol- In 1997, German banks had undermined by low German har yesterday, while the some \$30bn in outstanding interest rates and a less-Swiss franc hit a five-year low against the US currency.

Traders woke to rumours that President Boris Yeltsin service its obligations has The D-Mark's weakness was ill and though the talk was soon dispelled by a pres-idential appearance on television, the D-Mark remained

pfennig down on the day. The market is suddenly catching up with reality in from the fact that no other Russia after trying to ignore it for a while," said Ros Lif-ton at HSBC. "It's disappointed with the International Monetary Fund not coming up with the money Russia wants and it's disap-

pointed with the latest Rus-

events in Russia, because of Russia and the D-Mark's loans to Russia.

The Russian government's latest scramble for cash to seen talks begin with the IMF over what it hopes will be a \$10-15bn loan package. Bond yields have risen to weighed down by worries over 100 per cent. Yesterday over Russia's liquidity crisis. By the end of European week to July 3 central bank trading, the D-Mark stood at reserves fell by almost \$1bn. DM1.829 against the dollar, a to \$15bn.

The D-Mark may have suffered disproportionately recent days. country is as exposed to Rus-

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sian reserve figure." sia as is Germany. But while The D-Mark is sensitive to the link between news from strong on a day-to-day basis,

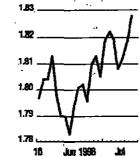
perceptions about trade and; fluctuations have proved the D-Mark has also been than-overwhelming economic recovery.

against the dollar helped sterling after the Bank of England's monetary policy committee decided to make no change to the repo rate of 7.5 per cent. The markets had been divided over the outcome of yesterday's vote, although expectations of a rise had diminished in

Sterling closed at DM2.982, up half a pfennig. "A lot of people in the

forex markets are looking to sell sterling as soon as they are confident that interest rates have peaked," said Rav Attrill at 4CAST, an economic consultancy. "That

Against the D-Mark (DRI per 5)



level of confidence hasn't been reached yet."

Short sterling futures rose after the announcement. indicating expectations of only one more 25 basis point rise this year, Until recently, short sterling prices factored by December.

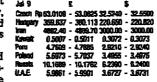
The Bundesbank also said it was not raising rates yesterday. The German finance

ministry nominated Her-

■ The Swiss franc's continufive-year low of SFr1.545 against the dollar yesterday, with Y139.7 the day before. although the currency recovered to end London trade at SFY1.541

"The Swiss franc has gone drawn to US treasuries as the most liquid individual

OTHER CURRENCIES



mann Remsperger, chief tled with each other to hint economist at BHF Bank in at future government policy Frankfurt, as Bundesbank yesterday. In response, the yen moved downwards in its now customary fashion.

The currency ended trading weakness brought it to a ing in London at Y141.3 against the dollar, compared

Among the possibilities mooted by senior officials yesterday were monetary reflation, a thorough study the way of gold in losing its of tax cuts and other lustre as a safe haven," said reforms, and the continua-Mr Attrill. "People are tion of strict fiscal rectitude.

asset in the world; and you international audience, oth-have interest rate difference ers are not," said Mr Wallace. "But it's going to be very hard to pry some action out of the Japanese.

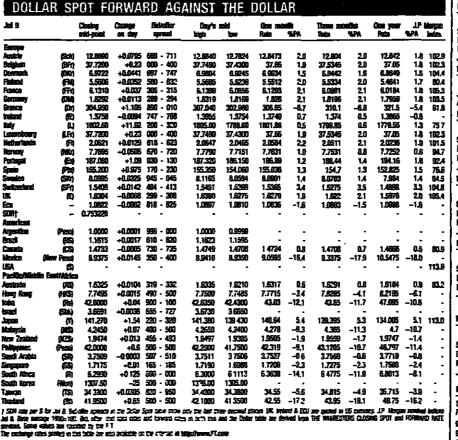
Meanwhile, the Korean won hit its strongest level of the year. The won has appreciated more than 50 per cent in 1998, as exporters repatriate dollar profits. Unusually, the government is unhappy

MONEY RATES 3.30 3.30 2.50 5.00 2.75 1.00 5.00 6.50 el \$ LIBOR BBA Locatos interfacilo Fludos US Deliar CDs -51 5.46 41 32 54 5.48 4<u>4</u> 3<u>1</u> ECM Linked De SDR Linked Da

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High 96.38 96.18 at the currency's strength. Est. vol. Open int. 64,120 63,544

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algiom .	(BFr)	51.4968		472 - 464	61.6070	80,9890	61,2957	3.9	60,8691	4.1	59.2031	37	
embark .	(DKH)	11.3671	+0.0244	599 - 743	11,3870	11,2336	11,3335	35	11.2807	3.7	10.9697	35	
أعطان	(FA)	9.0658	+0.0196	590 - 725	9,0830	9.0440	9.0356	4.0	8,9736	4.1	8.7282	37	
	(171 1)	9.9957	+0.0186		10.0174	9.0657	9.9614	41	9,8903	42	9.6173	3.8	
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THE CO	(Dr)	497.175	-0.28	B40 - 416	500.260	495,563	498.345	-5.2	503.452	-5.1	514,452	-35	61
riant.	(EC)	1.1851	+0.0031	838 - 863	1.1865	1.1814	1,1839	13	1.1806	1.5	1.153	2.7	
4	(4)	2938.87	+7,17	708 - DEG	2943.70	2928.30	2933.28	23	2919.56	28	2844.48	12	
erolistica.id	(LFr)	61.4968	+0.1181	472 - 484	61.6070	60.9890	61.2957	3.9	60,8691	41	59.2031	3.7	
etherlands	a	3.3619	+0.007	605 - 832	3,3688	3.3505	3,3503	4.1	3.3261	4.3	3.2336	3.8	
DWD)	(186 0)	12.6670	+0.0294	594 - 746	12.6967	12.6268	12,6350	29	12,5736	2.9	12,3437	26	95
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reden	(SRI)	13,2950	-0.0023	932 - 168	13.2571	13.1622	13.1684	33	13,0898	3.5	12,7596	3.4	84
وعادياه	(SPn)	2.5122	+0,0127	107 - 136	2.5193	2.5003	2.500B	5.5	2,476	5.8	2.3773	5.4	104
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3		1.5066	+0,0023	057 - 075	1.5094	1.5024	1.5023	3.4	1.4931	3.6	1.4539	35	
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rael	(3)(6)	5.9819	-0.6193		5 9897	5,9736			-			-	
20ED -	<u></u>	230,328	+1.554	175 - 465	30.540	228,120	278 935	7.2	226.01	7.5	213.865	7.1	1107
interests.	985	6.9209	+0.0855	100 - 309	6.9528	6 9090	6.9688	-83	7.1193	-11.5	7.6171	-10.1	
ev Zeakard	NZS:	3.1750	+0.0079	710 - 789	3.1835	3.1557	3.1788	-1.5	3.1836	-1.1	3.1993	-01	94.2
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me Araba	SP)	£ 1152	-0.0343	133 - 171	6.1436	6.1049	5.1984	1.3	6.0922	1.5	6.0226	1.5	
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_		Open	Set price	Change	High	LONG	Est. vol	Open in
20 8.	Sep	96.370	96,380	+0.005	96.395	95.385	54294	451980
<u> </u>	Dec	96.135	96.150	+0.005	96.160	96.135	49391	478164
	Mar	96.065	96.065	+0.005	98.075	96.050	23297	461436
29 23	Jen	95.950	95.955	-	95.970	95.945	19702	186453
M.4	THE CHEE LIKE	ATH EUROM		S (LFFE)	DM3m poi	ns of 100%		
0.4		Open	Sett price	Change	High	Low	Est. voi	Does lai
5.3	-		96.515	+0.005		-	0	· o
3.5	Aug	-	96,480	+0.005	-		ŏ	Ď
A.10			LIRA RETUR	25 (LFFE)	- L1000an p	olints of 100	%.	
57		Open	Sett price	Change	High	LDev	Est. voi	Open ist
23	Seo	95,610	95,600	-0.010	95 620	95.590	17904	186238
ri.5	Dec	96.070	96,070	-0.010	96,060	98,050	9807	163034
M.7 12.4	Mar	96.050	96.050	-	96,080	96.050	3106	220802
6.6	.aun	95,940	95,950		95,950	95,940	729	55214
M.5	,	NORTH BURG						
B.H		Open	Sett price	Charage	High	LOW	Est. vol	Open int
5.4		97.950	-	-0.040	-	97.880		94000
•	Sep Dec	97.740	97.900 97.700	-0.040	97.950 97.740	97.680	14830 8332	51384
- 1	Mer	97.630	97.6 3 0	-0.040	97.630	97.5 9 0	3214	27014
_	Jun .	97.540	97.530	-0.020	97.540	97.500	1121	17985
- 1	i						1121	17 300
9.0	1000	ONTH EURO						
	_	Open	Sett price	Change	High	LON	Est. voi	Open Int
3.9	Sep	-	99.25	-0.01	-	-	0	n/a
3.2	Dec	-	99.24	-0.01	•	-	0	o/a
	Mer	- 	99.23	-0.02	-	-	D	m/a.
-	. THAT STORE	e elso impleti	90 AP1					
<u>.</u> :	-	ONTH EURÔ	2100000 A	1000 Card		1000		
3.0	1000							
-		Open	Set price	Change	High	Low	Est. voi	Open lat
-	Sep	95.870	95.905	+0.035	95.905	95.870	591	15864
	Dec	96.100	96.115	+0.010	96,115	96.100	106	7343
-	Mar	•	96.060	-	-	•	0	4720
-	Just	-	95.955	-	•	•	0	1830
.		A OPTIONS	LIFFE) L1000)m points (of 100%			
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Les I	Price	Sea			Mar	See	Dec	Mer
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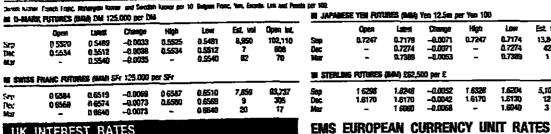
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Notice to the holders of the outstan

Hyosung T&C Co., Ltd.

(In repeated in the Republic of Kings with bound labeled)

(In repeated bases on Terroma; Neben Co., Ltd.)

U.S. \$30,000,000

31/4 per cent. Convertible Bonds due 2005 of Hyosung T&C Co., Ltd.

NOTICE IS HEREBY GIVEN to the holders of the above Bonds that, at the Meeting or such halders converned by the Notice of Meeting published in the Financial Times and the Lovemburger Wort on 13th June, 1995 and held at 10 30 a.m. (Second time) on teh ult, 1998, the Extra ordinary Resolution set out in such Natuce was duly passed. A condingly the modificant of to the Terms and Conditions of such Population for Dead constructing them referred to in such Notice have been made with client from 6th July, 1995 by means of a Second Supplemental Yrust Deed dated 6th July, 1998. The Amerika's Second Put Price has been calculated by Duennas Securium Co., Ltd. in https://dam.c. with the formula contained in the Second Supplemental Trust Densi, and has been set at 116,297 per cent of the print qual amount of the Bonds.

15-pigh 149× Bankers Trustee Company Limited

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	T	
Notice to Bondholders		
rho Finance Public Limited Company		
£64,500,000	1	

6% Guaranteed Convertible Bonds due 2004 £48,500,000 8% Guaranteed Convertible Bonds due 2006

Notice is hereby given that with effect from July 8, 1998 the name of Loreno Finance Public Limited Company was changed to "Lormin Finance Public Limited Company". The Company's above mentioned bonds are listed on the London Stock Exchange. Existing bonds are not being recalled and will remain valid in the name of Loreno Finance Public Limited Company.

Agent Bank

10, 1998 ياليار

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O CHASE

SCUDDER GLOBAL OPPORTUNITIES FUNDS stissement à Canital V

CITICORP •

U.S.\$500,000,000

ISTN No. 3508114987250

Common Code No. Wilsonson A of the Terms and YCE IS HEREBY GIVEN THAT, present to Paragraph 4 of the Terms and Priors of the Subordinated Bank Adjustable Note Capital Securities, Ciscorp has sed to accelerate the scheduled costs redemption dots of the austranding \$500,000,000 Subordinated Bank Adjustable Note Capital Securities issued by any on December 9, 1986 (the "Securities") to July 15, 1998 (the "Accelerated the "Accelerated to the Prior Securities") to July 15, 1998 (the "Accelerated the "Accelerated to the Prior Securities") to July 15, 1998 (the "Accelerated the "Accelerated to the Prior Securities") to July 15, 1998 (the "Accelerated the Prior Security Security Securities") to July 15, 1998 (the "Accelerated the Prior Security Security Securities") to July 15, 1998 (the "Accelerated the Prior Security Security Securities") to July 15, 1998 (the "Accelerated the Prior Security Security Security Securities") to July 15, 1998 (the "Accelerated the Prior Security Security Securities") to July 15, 1998 (the "Accelerated the Prior Security Security Securities") to July 15, 1998 (the "Accelerated the Prior Securities") to July 15, 1998 (the "Accelerated the Prior Security Securities") to July 15, 1998 (the "Accelerated the Prior Security Securities") to July 15, 1998 (the "Accelerated the Prior Securities") the Prior Securities (the Prior Securities") to July 15, 1998 (the Prior Securities") the Prior Securities (the Prior Se

Bank Adjustable Note Capital Securities

NOTICE OF MEETING

We have the pleasure of inviting you to attend the Annual General Meeting of stareholders, which will be held on July 27,1986 at 10.01 a.m. at the offices of State Street Bank Losembourg S.A., 47 Boulevand Royal, L. 2448 Losembourg, with the

ASEMDA

1. Presentation of the reports of the Board of Directors and of the Auditor.

2. Approval of the balance sheet, profit and less accounts as of Merch 31, 1996 and the allocation of the nat profits.

3. Discharge to be granted to the Directors and to the Auditor for the Sinancial year ended Merch 31, 1996.

4. Action on normination for the election of Directors and Auditor for the ensuing year.

5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the approxis is required, and that the decisions will be taken at the melority vote of the shares present or representant at the Meeting. Each share is entitled to one vote, A shareholder may act at any Meeting by proxy.

By order of the Board of Devectors

st george

St. George Bank Limited

U.S. \$250,000,000

Floating Rate Notes due 2000

Notice is hereby given that for the Interest Period 9th July, 1998 to 9th October, 1998 the Notes will carry a Rate of Interest of 5.9875% per annum. The Interest Amounts payable will be U.S. \$153.01 per U.S. \$10,000 Note and U.S. \$1,530.14 per U.S. \$100,000 Note. The Interest Payment Date will be 9th October, 1998.

Bankers Trust

Company, London

corporated in New South Wales, A.C.N. 055 513 070

By order of the Board of Directors

Agent Bank

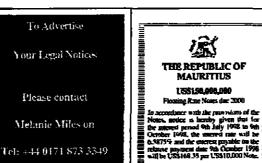
Wizard Finance Limited

US\$ 525,000,000 Asset Backed Floating Rate Notes due 2000

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from July 10, 1998 to January 11, 1999 the Notes will carry an Interest Rate of 5,93 % per annum.

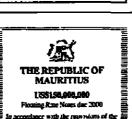
The Coupon Amount payable on the relevant Interest Payment Date, January 11, 1999 will be US\$ 304.74 per The Agent Bank

US\$ 10,000 principal Kredietbank Luxembourg amount of Note.



Service Laboration

Fax: ±44 0171 873 3064



DEPARTEMENT DE LA GUADELOUPE
EMPRUNT OBLIGATAIRE FRF 50 000 000 TRANCHE A TAUX VARIABLE ECHEANCE 1999
ESIN CODE: XS0051512100 -EMPRUNT OBLIGATAIRE FRF 50 000 000 TRANCHE B TAUX VARIABLE ECHEANCE 2000
ISIN CODE: XS0051512282
For the period July U8. 1998 to January 08, 1999
the new rate has been fixed at 4,6453 % P.A.
New payment due: January 08, 1999
Coupen nr: 9
Amount:
23 738.71 for the demomination of FRF 1 000 000

23 738.71 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST SA. 11-13, avenue Emile Reuter L-2420 LUXEMBOURG

OIL IEA SEES NEW THREAT TO PRICES

Russian crude exports weigh on sentiment

By Robert Corzine

has emerged as the latest bearish factor to hit crude prices, according to the

The Paris based agency, output. which monitors world energy markets on behalf of bers and non-Opec producers the mainly western industri- such as Mexico and Oman alised countries, said net agreed a new round of proexports from the countries of duction cuts aimed at reversthe former Soviet Union ing the recent price slump. averaged 3.1m barrels a day A senior Russian delega-in June, the highest level tion told Opec ministers

remained focused on the ket", and noted that this political uncertainty in year's drop in price "had Brent Blend for August economy". delivery was 15 cents up at \$13.27 a barrel in late trading terday's figures from the on London's International

Petroleum Exchange. The IEA said the recent be forced into seemingly con-rise in Russian exports was tradictory policy positions directly related to attempts when faced with an ecoby Moscow to squeeze more taxes out of the petroleum sector: "The Russian govern- complex problem facing ment is determined to collect leading petroleum producers in transit meant that "addi- for the first time".

taxes, leaving cash-strapped oll companies to turn to high

A rise in Russian oil exports exports for hard currencies." The agency said Russian exports were rising even as government officials promweekly oil market report ised the Organisation of released yesterday by the Petroleum Exporting Coun-International Energy tries that Moscow would do what it could to limit

Last month, Opec mem-

since the break-up of the at the time that "Russia has a vital stake in ensuring But oil markets yesterday the stability of the oil mar-Nigeria: the bellwether dire consequences for our That may be so, but yes-

IEA illustrate how individual oil producing states can nomic crisis.

it also demonstrates the



The erosion of bulging oil stocks over the rest of the year might take longer than some expect, the IEA report says

as they try to grapple with a tional barrels may have to nomic instability across the

The IEA also warned yes- be whittled down. terday that the erosion of bulging oil stocks over the industry inventories in rest of the year might take OECD countries "surged to longer than some expect. It said large volumes of oil May, topping 2.6bn barrels | bear market."

price slump against the be absorbed in the third, and backdrop of growing eco- possibly fourth quarters", before the "exceedingly high level of onshore stocks" can

The agency reported that record levels at the end of to be close to the end of the

Metals under Asia cloud

MARKETS REPORT By Kenneth Gooding and Paul Solanan

economies, particularly about Japanese fiscal policy, continued to weigh on base metal prices yesterday.

Copper slipped to a 12-year London Metal Exchange while the LME's other "flag-ship" metal, aluminium, fell to \$1,286 a tonne, its lowest for four years.

Nickel was at a 41/4-year low of \$4,165 a tonne and, according to Alan Williamson, analyst at Deutsche market price is closer to Bank, "following the weak reality." sentiment of recent days, it 10-year low of \$4,030 a tonne seen in October 1993".

Rhona O'Connell, analyst Markets review that base metals prices in real terms are as low as they have been for 25 years - and gold is "in

the same boat". She says, however: "Metal prices look to be bouncing along the bottom, though there may be a further small drop in copper and nickel. Although we cannot yet call

another slip in gold's price, down \$1.55 a troy ounce to \$291.45 at the close in London yesterday. There was Worries about Asian still confusion about the impact on the market of the European Central Bank's decision to hold 15 per cent of its reserves in gold. Tony Warwick-Ching at

blamed by dealers for

low of \$1,586 a tonne on the Flemings Global Mining Group pointed out that no indication had been given about what gold price would be used. "At \$295 an ounce the ECB takes a relatively modest 690 tonnes. At \$35 an ounce it adopts 5,840 tonnes - but we think the current

Cocoa fell on the London looks likely to test the International Financial 10-year low of \$4,030 a tonne Futures Exchange after failing to hold above £1,100 a tonne. The benchmark Sepat T. Hoare, points out in the tember contract finished proker's latest Resource down at £1,085 a tonne, £14 below Wednesday's close.

The market is keeping a close watch on weather reports from Ivory Coast. The 1997-98 crop is expected to total 1.13m tonnes while early predictions put the 1998-99 harvest at 1.1m tonnes. A clearer picture usually emerges in August when plant survival and a new bull market, we look growth rates are confirmed. Coffee also fell slightly,

with the September contract The weaker yen was down \$11 at \$1,597 a tonne.

NEWS DIGEST

COPPER

Malaysian demand down 60% in 1998 first half

Malaysia's copper demand shrank about 60 per cent in the first half of 1998 compared with a year earlier, industry offi-cials said. Malaysia imported about 160,000 tonnes of raw copper cathodes in 1997 but one industry executive expected demand to drop at least 30 per cent this year as the full impact of the year-old economic crisis was felt.

4 1572

Demand was quite strong in the first half of last year until the regional economic crisis erupted. But demand is going down as the market is now very weak," said an executive Malaysia's economy shrank 1.8 per cent in the first quarter of 1998 from a year earlier, the first contraction since the 1985 recession. "The first six months have been very tough for the industry," said a manager at Alpha Industries, a copper products concern. "The downtrend is likely to continue for the rest of the year."

Copper products maker Metrod is facing a 30 per cent loss in business, mainly because of a slowdown in the construction sector which has hurt demand for copper rods. Demand for rods could fall to about 80,000 tonnes this year, from 120,000 tonnes in 1997, officials said. Telephone cable makers are also facing difficulty, with telecommunications companies further cutting back on copper cables in favour of fibreoptics. Reuters, Kuala Lumpur

COCOA

Ghana plant to double capacity

Ghana's state-owned Cocoa Processing Company (CPC) aims to double cocoa bean capacity to 50,000 tonnes by September 2002. CPC plans over five years to gradually phase in the extra capacity at its plant in Tema. Its confectionery business is also to be expended.

Ghana and Ivory Coast are keen to expand production of cocca liquor, butter and cake to raise export values and have taken steps to liberalise cocoa marketing. Privatisation plans for CPC in 1995 were halted without explanation after seven foreign companies submitted bids.

CPC's latest plans include a new cocoa deodorising plant along with a pebble plant for making chocolate-coated peanuts – due for installation in 1999. Reuters, Accra

LONDON METAL EXCHANGE

Turnover figures wrongly stated

The London Metal Exchange said yesterday that the half-year turnover figures it released recently were wrong because of a computer error. The corrected statistics show that activity on the exchange in the first six months was virtually unchanged with turnover this year reaching 26.4m lots against 26.5m in the first half of 1997.

Within that total, futures turnover rose 3.3 per cent, from 24.3m lots to 25.1m, while options turnover fell more than a third, from 2m to 1.3m lots. Aluminium, copper, lead and zinc lots are of 25 tonnes each while those for aluminium alloy are 20 tonnes, for nickel six tonnes and for tin five tonnes.

India drops import plan on signs of sugar surplus

By Kunai Bose in Calcutta

India has abandoned plans to import sugar for distribution through ration shops an extra 12m tonnes from after predictions that domestic output will leave a surplus of 5m tonnes this year.

Indian sugar production is expected to rise to 12.7m tonnes in 1997-98 (October to September) compared with 11m-11.5m tonnes forecast at the season progressed," said The government buys 40 Sugar Mills Association.

per cent of Indian sugar production to sustain the extensive public distribution systhe local factories instead of importing.

"The rally in production is Maharashtra, which came under a spell of drought, staging a smart recovery as

produced a lot more sugar than expected. India already tem and has decided to buy has produced 12.57m tonnes of sugar and some factories in the south are still crushing cane."

Traders bad already due to the cane crop in imported 580,000 tonnes in country's sugar economy anticipation of a shortfall in production. However, a 5 per cent import duty and a countervailing duty of Rs850 (\$20) the beginning of the season. Op Dhanuka of the Indian a tonne introduced in April

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put a brake on imports, Mr Dhanuka said. The Indian sugar industry

is calling on the government to increase import duties further to discourage imports. "Imports will disturb the since we are expecting a bumper production of at just about half the various least 15m tonnes next year," said Mr Dhanuka. a tonne introduced in April "At Rs74 a 100kg of cane, be a level playing field for plus the improvement in the crop gives a better the Indian producers."

invites. There should at least

"The whole of south India domestic production - has return to the farmers than wheat, rice or oilseeds. complained that Pakistan, Unlike in the past years, the factories have seen to it that the cane bills of the farmers are cleared in time. This is an extra incentive for the farmers to grow more cane." According to the ISMA: sugar and 45 per cent on "The import duty on sugar is taxes the domestic industry

The association has also which has a huge sugar surplus, is granting a subsidy of Rs4 a kg to its producers to encourage exports to India. Russia may set import duties of 75 per cent on raw white to protect national producers. The duties would apply from July 25 1998 to January 1 1999, a trade ministry official said yesterday.

Meat and Livestock

III LIVE CATTLE CME (40,0000s; cants/ba)

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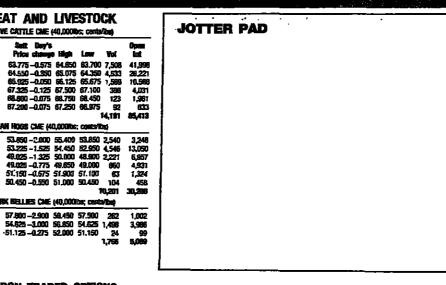
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In Figure 1 Aug Cuet Sep Dec Total Furthern Market	Clores of Arrest de Charact de Characte de Chara	83 0 113 0 1568 0 1568 0 178 0 T (BITH 8860 960 10010 SIE P 10010 ANII 7.000 - 5.75 -	+3.0 +3.0 +2.5 +2.5 +2.5 +2.5 -15 -15 -15 -15 -16 -15 -15 -15 -16 -15 -15 -16 -15 -15 -15 -15 -15 -15 -15 -15 -15 -15	885 880 965 -	157 0 		1.813 29 1.813 504 257 459 284 290 2,168	Jul Oct Dec Mary Total Sup Nov Jen Iraded 200 F Open Iraded 200 F	82,68 80,08 76,60 75,20 75,50 75,50 807,807 101,20 104,50 107,35 110,35 110,35 1113,35	-0.51 -0.42 -0.23 -0.25 - 2.45 +2.45 +2.45 +2.45 +2.25 +2.25 1 +2.25 1 see one is see one is see one	83.25 80.50 77.30 77.30 77.30 76.00 86.05 96.05 96.05 10.06 11.25	### ### ### ### ### ### ### ### ### ##	200 351 351 95 1188 201 201 202 203 204 205 205 206 206 206 206 206 206 206 206 206 206	1,027 7,778 2,552 5,778 131 131 131 131 131 131 131 131 131 13	Brent B Brent B Brent B Brent B Brent B Wr.T.I. Frendum G Wr.T.I. Frendum G Wr. I Become G	end (Aog) PRODUCTS GESORNE GES	Pencetti Lucius (122)	\$11.1 \$13.3 \$19.2	80-185 15-420 15-420 15-43-175 15-165	+0.0 +0.0 +1.0 +1.0 +1.0 +1.0 +1.0 +1.0	.145 .005 .1 .15 .15 .16 .16 .22* .28* .30
In Financial Market April Marke	Cho S P P P P P P P P P P P P P P P P P P	83 0 113 0 168.0 168.0 178 0 1 (877) 850 960 960 960 960 960 960 960 960 960 96	+3.0 +3.0 +2.5 +2.5 +2.5 +2.5 +2.5 (2) UFF -15 -15 -15 -15 -15 -15 -15 -15 -15 -15		1570 1570 mdex poi 563 560 960		1.813 29 - 1.813 504 257 284 200 2,165 000 161 705 254 200 2,165	Jul Cott Jul Cott Date Mary Total III Con Jul Sup Hay Total III Con Jul Sup Hay Total III Copen III Total III Copen III Total III Copen	82,68 80,00 75,20 75,20 75,50 86E JIHCE 87,90 101,20 107,35 110,35 110,35 1113,35	-0 51 -0.42 -0.23 -0.25 -0.25 -0.25 -0.25 -0.25 -1.25 1 +2.15 +2.25 1 +2.25 1 +2.25 1 +2.25 1 see one are are 1 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	83.25 80.50 77.30 77.30 77.30 77.00 5.00025 98.05 10.45 10.05	### ### ### ### ### ### ### ### ### ##	200 351 351 35 311 35 402 402 402 402 402 402 402 402 402 402	1,027 7,778 2,552 5,778 131 131 131 131 131 131 131 131 131 13	Brent B Brent B Brent B Brent B Brent B Wr.T.I. Frendum G Wr.T.I. Frendum G Wr. I Become G	end (Aog) PRODUCTS GESORINE GESORINE GESORINE GESORINE R R Luxy czyl jer troy jer troy weightly weightly surger (wit qu. Read)	Pencetti Lucius (122)	\$111 \$133 \$19.9 \$1	80-1.55 150-3-30 150-3-30 150-3-30 150-127 151-68 14-125 1	+0.0 +0.0 +1.0 +1.0 +1.0 +1.0 +1.0 +1.0	.145 .005 .1 .15 .15 .16 .16 .22* .28* .30
In Financial September 1 Septe	Clares of the same	83 0 113 0 168.0 168.0 178 0 T (8578 850 950 960 1010 Mark 1 1600 1010 Mark 1 1600 Mark 1 Mark 1 Ma	+3.0 +3.0 +2.5 +2.5 +2.5 +2.5 +2.5 -1.7 -1.5	# 55.00 # 55.00 # 56.00 # 5			1.813 29 - 1.813 594 257 499 200 2,168	Jul Corr Jul Corr Jul Corr Mary Total III Corn Jul Sup Hay Total III Corn Jul Sup Hay Total III Corn Jul Sup Hay Total III Corn Jul Sup II Corn Jul	82,68 80,08 76,60 75,20 75,50 86E JIHCE 97,90 101,20 104,50 1107,35 110,35 110,35 1113,35	-0 51 -0.42 -0.23 -0.25 -0.25 -0.25 -0.25 -0.25 -0.25 -1.25 1 +2.15 +2.25 1 +2.25 1 +2.25 1 +2.25 1 i re ona set are i i 8/9/31 -1.15 (8 8 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	83.25 80.50 77.30 77	#82 70 7 70 163 77 78 163 77 78 163 77 78 163 77 164 164 78 164 7	200 351 11 19 55 1 1 19 1 19 1 19 1 19 1 19	1,027 7,775 2,552 5,776 131 13,102 2,372 2,372 6,493 3,229	Brent B Brent	end (Aog) PRODUCTS Geschie Geschie Geschie Geschie Geschie RAAL GAS Augh Argus, Tet. R Froy ozol (Ber broy I per broy I per broy Wedghal) Wedghal Wedg	Pencetti Lucius (122)	\$111 \$133 \$19.5 \$1	80-185 150-3-36 150-3-36 10-172 15-15-15 15-15 15-1	+0.0 +0.0 +1.0 +1.0 +1.0 +1.0 +1.0 +1.0	.145 .005 .1 .15 .15 .16 .16 .22* .28* .30
Mars Apr Total BH PU R P Dec Total R M M	Close States of the states of	83 0 113 0 168.0 168.0 178 0 1 (8578 850 1000 1000 1010 1010 1010 1010 1010	+3.0	## 159.0	1570		1.813 29 - 1.813 504 257 284 200 2,105 Dent int 7705 204	Jul Oct Mary Total III Orac Mary Total III Orac Mary Total III Orac Mary Total III Orac III O	82,68 80.08 76,50 75,20 75,50 87,90 101,20 104,50 107,35 110,35 1	-0.51 -0.42 -0.23 -0.25 -1.25 +2.15 +2.45 +2.45 +2.25 1 Volume 1 see one 1 s	83.25 80.50 77.30 77.30 77.30 77.30 78.00 6.0000 6.000 6.000 6.000 6.000 6.000 6.000 6.000 6.000 6.0	#82 70 7 70 163 77 78 163 77 78 163 77 78 163 77 164 164 78 164 7	200 3,351 11 15 15 15 15 15 15	1,027 7,77,768 131 131 15,029 2,372 1,493 5,299	Brent H Brent	end (Aog) PRODUCTS GESORNE GES	Pencetti Lucius (122)	\$111 \$133 \$19.5 \$1	80-1.55 150-2.50 150-2.50 150-2.50 150-2.50 15-15-15-15-15-15-15-15-15-15-15-15-15-1	+0.0 +0.0 +1.0 +1.0 +1.0 +1.0 +1.0 +1.0	.145 .005 .1 .15 .15 .16 .16 .22* .28* .30
In Figure 1 Aug. Apr. Total BFI Sep Poly Will Character 1 Will Character	I P I I PET S S P I PET S S P I PE	81 0 113 0 168 0 178 0 168 0 178 0 168 0 168 0 169 0 1	+3.0 +3.0 +2.5 +2.5 +2.5 +2.5 =1.7 -1.5 -1.0	E (S10A) B85 B80 965 High CMS.			1.813 S047 5749 284 200 2,105 Deen int 705 254 200 2,105	Jul Oct Mary Total III Orac Mary Total III Orac Mary Total III Orac Mary Total III Orac Mary Total III Open III	82,68 80,00 76,50 775,50 775,50 86E Jince 97,90 101,20 104,50 107,35 110,35 1113,35	-0.51 -0.42 -0.23 -0.25 -1.25 +2.15 +2.45 +2.45 1 +2.25 1 +2.25 1 +2.25 1 er ona 1 e	83.25 80.50 77.30 78.80 78.80 78.90 5.000 5.000 5.000 5.000 10.40 10.725 10.05 1	#82 70 7 70 163 77 78 163 77 78 163 77 78 163 77 164 164 78 164 7	200 351 11 19 55 1 1 19 1 19 1 19 1 19 1 19	1,027 7,775 0,820 2,572 5,783 131 13,102 14,102 14,	Brent B Brent B Brent B Brent B Brent B Brent B Wr.T.I. Prevalum B GS Off Heavy F Repairs B B B B B B B B B B B B B B B B B B B	end (Aog) PRODUCTS GESORNE GES	(Pencertis	\$111 \$133 \$19.9 \$1	80-1.55 150-2.50 150-	+0.0 +0.0 +1.0 +1.0 +1.0 +1.0 +1.0 +1.0	.145 .005 .1 .15 .15 .16 .16 .22* .28* .30
Harry Mars Republic R	I P Close Suppose Supp	810 1130 168.0 1780 168.0 1780 168.0 1780 168.0 1780 169.0 1	+3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.5 +2.5 +2.5 +2.5 +2.5 +2.5 +2.5 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0	E S10A BES BES BES BES BES BES BES BE	1570 -		1.813 29 - 1.813 594 257 499 200 2,168	Jul Oct Mary Total III Orac Mary Total III Orac Mary Total III Orac Mary Total III Orac Mary Total III Open III	82,68 80.08 76,50 75,20 75,50 87,90 101,20 104,50 107,35 110,35 1	-0 51 -0.42 -0.23 -0.25 -0.25 -0.25 -0.25 -0.25 -0.25 -1.25 1 +2.15 +2.25 1 +2.25 1 +2.25 1 +2.25 1 second ask are in [89/31 -1.25 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	83.25 80.50 77.30 77	### ### ### ### ### ### ### ### ### ##	200 3,351 11 15 15 15 15 15 15	1,027 7,776 (2002) 2,552 2,570 3,100 3,102 3,100 679 3,200 2,200 3,200 2,200 3	Brent B Brent B Brent B Brent B Brent B Brent B Wr.T.I. Prevalum Best Office B Brent	end (Ang) PRODUCTS GENOTINE GENOTINE GENOTINE GENOTINE R R R R R R R R R POOL R R R POOL R R R R R R R R R R R R R R R R R R	(Pencertis	\$111 \$133 \$19.9 \$1	80-185 15-125 15-	+0.0 +0.0 +1.0 +1.0 +1.0 +1.0 +1.0 +1.0	.145 .005 .1 .15 .15 .16 .16 .22* .28* .30
Marris Ray June 1 PU	I REGETT I I I I I I I I I I I I I I I I I I	81 0 113 0 168 0 178 0 168 0 178 0 168 0 168 0 169 0 160 18 160 180 180 180 180 180 180 180 180 180 18	+3.0 (E (S10A) B85 B80 955 B86 College in the colleg	1570 1570 1570 1570 1583 1583 1583 1584 -	32 45 5 19 - 104 196 4 4 24 24 24 24 24 24 24 24 24 24 24 24	1.813 29 - 1.813 594 294 294 200 2,103 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Jul Oct Mary Total III Orac Mary Total III Orac Mary Total III Orac Mary Total III Orac Mary Total III Open III	82,68 80,08 76,60 75,20 75,50 86E Jince 97,90 101,20 104,50 107,35 110,35 1113,35 E DATA Interest son CES 113,35 114,35 115,35 1	-0 51 -0.42 -0.23 -0.25 -0.25 -0.25 -0.25 -0.25 -0.25 -1.25 1 +2.15 +2.25 1 +2.25 1 +2.25 1 +2.25 1 second ask are in [89/31 -1.25 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	83.25 80.50 77.30 78.80 78.80 78.90 5.000 5.000 5.000 5.000 10.40 10.725 10.05 1	### ### ### ### ### ### ### ### ### ##	200 3,351 11 15 15 15 15 15 15	1,027 7,778 2,552 3,783 131 5,5,029 2,372 3,239 2,372 2,372 3,239 3,239 3,239	Brent B Brent B Warf B Brent B	and (Ang) PRODUCTS GESORNE GESORNE GESORNE GESORNE GESORNE RAL GAS Augi Argue, Tel R r troy cool geor troy or weight) or weight) or weight) or weight) or weight) or weight) to	(Pencertis	\$111 \$133 \$19.5 \$1	80-135-136-136-136-136-136-136-136-136-136-136	+0.40.40.40.40.40.40.40.40.40.40.40.40.40	.145 .005 .15 .15 .15 .16 .15 .16 .22 .22 .23 .23 .23 .23 .23 .23 .23 .23
BET PU BE	REGET I T T T T T T T T T T T T T T T T T T	83 0 13 0 13 0 168.0 178 0 168.0 178 0 168.0 178 0 178	+3.0 +3.0 +2.5 +2.5 +2.5 +2.5 -17 -15 -15 -15 -15 -15 -15 -15 -15	E S10A B8S B8S B8S B8S B8S B8S B8S B8S B8S B8S			1.813 29 - 1.813 504 257 284 200 2,105 0 pen int 7705 200 2,105 0 pen int 7705 200 2,105 0 pen int 7705 2,105 0 pen int 1,000	Jul Oct. Jul Oct. Jul Oct. Mary Total Gen ORA Jul Sep Total Gen ORA Jul Sep Total Jul 8 1538 Jul 8 1538 Jul 8 1538 Jul 8 1538	82,58 80,00 76,50 775,50 775,50 807,90 101,20 104,50 107,35 110,35 110,35 1113,35 EE DATA interest on	-0.51 -0.42 -0.25 -0.25 -0.25 +2.15 +2.15 +2.25 1 +2.25 1 are one internal internal 1 are one internal 1 are	83.25 80.50 90.50 97.5.80 77.500 77.500 97.5.80 97.5.80 97.5.80 97.5.5	About 10 April 10 Apr	200 (351 11 11 15 15 15 15 15 15 15 15 15 15 1	1,027 7,775 0,020 2,552 7,658 131 15,029 2,372 4,493 5,229 3,236 6,239 3,239	Brent B Brent B Brent B Brent B Brent B Brent B Wr.T.I. Frenslum B Coll. Frenslum B Co	end (Aog) PRODUCTS Geschine Ge	(Pencertis	\$111 \$133 \$19.9 \$1	80-155-150-150-150-150-150-150-150-150-15	+0.00 +0.00 +0.00 +1.00 +1.00 +0.00 +0.00 -1.60 -3.00	.145 .005 .15 .15 .15 .16 .15 .16 .22 .22 .23 .23 .23 .23 .23 .23 .23 .23
Marris Republic Repub	REGETT REGETT	81 0 113 0 68.0 178 0 68.0 178 0 68.0 178 0 69.0 19.0 19.0 19.0 19.0 19.0 19.0 19.0 1	+3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.5 +2.5 +2.5 +2.5 +2.5 +2.5 +2.5 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0	E S10A BES BES BES BES BES BES BES BE	1570	32 45 5 19 1 104 4 4 24 5 19 Annoy make the control of the control	1.813 29 - 1.813 504 257 284 200 2,105 0 pen int 705 284 200 2,105 200 2,105 200 2,105 2,1	Jul Oct. Jul Oct. Jul Oct. Mary Total Gen ORA Jul Sep Total Gen ORA Jul Sep Total Jul 8 1538 Jul 8 1538 Jul 8 1538 Jul 8 1538	82,58 80,00 76,50 775,50 775,50 807,90 101,20 104,50 107,35 110,35 110,35 1113,35 EE DATA interest on	-0.51 -0.42 -0.25 -0.25 -0.25 +2.15 +2.15 +2.25 1 +2.25 1 are one internal internal 1 are one internal 1 are	83.25 80.50 90.50 97.5.80 77.500 77.500 97.5.80 97.5.80 97.5.80 97.5.5	About 10 April 10 Apr	200 351 11 15 16 16 16 16 16	1,027,776,0830 2,552,5770 3,510 3,510 4,667 3,530 2,528 2,570 3,530 3,50 3,5	Brent B Brent B Brent B Brent B Brent B Brent B Wr.T.1. Free July Brend B Brent B Bre	end (Aog) PRODUCTS Geschine Ge	(Pencertis	\$111 \$133 \$19.5 \$1	80-155-150-150-150-150-150-150-150-150-15	+0.40.40.40.40.40.40.40.40.40.40.40.40.40	.145 .005 .15 .15 .15 .16 .30 .30 .30 .30 .30 .30 .30 .30 .30 .30
Marrie Raman April 1 PU	REGETT 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	81 0 113 0 168.0 178 0 168.0 178 0 168.0 178 0 168.0 178 0 168.0 178 0 169.0 1	+3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.5 +2.5 +2.5 +2.5 =1.7 -1.5 -1.5 +2.5 +2.5 +2.5 +2.5 +2.5 +2.5 +2.5 +2	E (S10A) B85 B80 955 1 Bigs Correiners on to Established	1570 1570 1570 1570 1583 15960 1 loss) Low 1 reces 1 Syd	Soly Andrews	1.813 29 - 1.813 5047 294 200 2,165 5047 2,165 5047 2,165 5047 2,165 5047 2,165 5047 2,165 5047 2,165 5047 2,165 5047 2,165 5047 2,165 2,1	Jul Oct Mary Total III CRAI Sept Protein III CRAI III CRA	82,68 80,08 76,60 75,20 75,50 86E Jince 97,90 101,20 104,50 107,35 110,35 110,35 1113,35 E DATA Interest and	-0.51 -0.42 -0.23 -0.25 +2.15 +2.15 +2.25 1 +2.25 1 +2.25 1 are one are one are one 1.18 9.03 1.17 1.17 1.17 1.17 1.17 1.17 1.17 1.1	83.25 80.50 90.50 90.50 90.50 90.50 90.55 90.50 90.55	### ### ### ### ### ### ### ### ### ##	200 (351 11 11 12 15 15 16 16 16 16 16 16 16 16 16 16 16 16 16	1,027 7,7,7,838 131 5,5,229 2,372 1,493 5,5,229 2,372 1,493 1,5,229 2,372 1,493 1,5,229 1,493 1,5,229 1,493 1,5,229 1,493 1,5,229 1,493 1,5,229 1,493 1,5,229	Brent B. Bre	and (Ang) PRODUCTS GESORN GESO	(Pencer's Landau (CZ) CZ) CZ)	\$111 \$133 \$19.9 \$1	80-152-151-15-15-15-15-15-15-15-15-15-15-15-15	+0.40.40.40.40.40.40.40.40.40.40.40.40.40	.145 .005 .15 .15 .15 .16 .30 .30 .30 .30 .30 .30 .30 .30 .30 .30
E F P P P P P P P P P P P P P P P P P P	REGET 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	83 0 13 0 13 0 13 0 13 0 13 0 13 0 13 0	+3.0 +3.0 +2.5 +2.5 +2.5 +2.5 -17 -15 -15 -15 -15 -15 -15 -15 -15	E (S10A) B85 B80 965 Regh Endown I form	ndez poi		1.813 29 1.813 594 257 284 200 2,168 594 200 2,168 705 255 804	Juli Oct Mary Total Market Mary Total Market	82,58 80,08 76,50 75,20 75,50 87,90 101,20 104,50 107,35 110,35 1113,35 113,35 114,35 115,36	-0.51 -0.42 -0.23 -0.25 -0.25 +2.15 +2.15 +2.25 1 1 Volume 1 89931 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	83.25 80.50 90.50 90.50 90.50 90.50 90.55 90.50 90.55	About 2016 1	200 : 351 : 1 : 3 : 3 : 3 : 3 : 3 : 3 : 3 : 3 :	1,027 7,775 1,020	Brent B. Bre	end (Angl) PRODUCTS Genome Gen	(Pencertis	\$111 \$133 \$19.9 \$1	80-152-1500mm 172 7 153-153 150 150 150 150 150 150 150 150 150 150	+0.40.40.40.40.40.40.40.40.40.40.40.40.40	.145 .005 .15 .15 .15 .16 .30 .30 .30 .30 .30 .30 .30 .30 .30 .30
Mary Bay June PU Br PU B	I I I I I I I I I I I I I I I I I I I	81 0 113 0 168.0 178 0 168.0 178 0 168.0 178 0 168.0 178 0 168.0 178 0 169.0 160.0 1	+3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.5 +2.5 +2.5 +2.5 +2.5 +2.5 +2.5 +3.5 +3.5 +3.5 +3.5 +3.5 +3.5 +3.5 +3	E (S10A) B85 B80 955 - 1 at dry CMS. Core jihic as deserter, r crisis as deserter, r crisis to fine t	- 1570 -		1.813 29 - 1.813 5047257 2849 2849 200 2,1185 Deep int 7705 200 2,1185	Juli Cott Juli Cott Juli Cott Dec Mary Total Sep ORA Juli Sep Horo Juli Sep Total Sep ORA Juli Sep Jul	82,58 80,08 76,50 75,20 75,50 87,90 101,20 104,50 107,35 110,35 1113,35 113,35 114,35 115,36	-0.51 -0.42 -0.25 -0.25 -0.25 +2.15 +2.15 +2.25 +2.25 +2.25 +2.25 +2.25 1 se one 1 s	83.25 80.50 77.50 75.80 76.00 5.000 5.000 5.000 5.000 11.50 11	### ### ### ### ### ### ### ### ### ##	200 3.351 11 12 10 10 10 10 10 10 10 10 10 10 10 10 10	1,027,776,020,020,025,020,025,025,025,025,025,025	Brent B Brent B Brent B Brent B Brent B Brent B Wr.T.1. Free June 1 Brent B B	and (Ang) PRODUCTS Geschine Ge	Penceria (Lacatar (CCL) Triple (CCL)	\$111 \$133 \$19.5 \$1	80-185-185-185-185-185-185-185-185-185-185	+0.40 +1.50	.145 .005 .105 .105 .105 .105 .105 .105 .10
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Marris Ray June Policy September 1987 September 198	I I I I I I I I I I I I I I I I I I I	81 0 113 0 1	+3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.5 +2.5 +2.5 +2.5 +2.5 +2.5 +2.5 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0 +3.0	E S10A BES BES BES BES BES BES BES BE	nites policies of the second o		1.813 29 - 1.813 29 - 1.813 29 284 200 2 2 1 1 2 1 2 1 2 2 2 2 2 2 2 2 2 2	Juli Oct Mary Total III Orac Mary Total III Orac Mary Total III Orac Mary Total III Orac III	82,58 80,08 76,50 75,20 75,50 87,90 101,20 104,50 107,35 110,35 1113,35 113,35 114,35 115,36	-0.51 -0.42 -0.23 -0.25 -0.25 +2.45 +2.45 +2.45 +2.45 +2.25 1 Volume 1 see are 1 see are 1 (0.9 1 (1.7) 1 (1.7	83.25 80.50 75.80 75.80 76.00 75.80 76.00 75.80 76.00 75.80 76.00	### ### ### ### ### ### ### ### ### ##	200 : 351 : 1 : 1 : 1 : 1 : 1 : 1 : 1 : 1 : 1 :	1,027,775,020,020,020,020,020,020,020,020,020,02	Brent B Brent B Brent B Brent B Brent B Brent B Wr.T.1. Frendum Gas Olf Beach Gas Olf	and (Ang) PRODUCTS Gesofine Ge	(Pencer's Control of C	\$113 \$19.5 \$	80-155-165-175-175-175-175-175-175-175-175-175-17	+0.40 +0.6 +1.50 +	.145 905 -1 10.5 1.5 1.16 30 30 30 30 30 30 30 30 30 30 30 30 30
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CROSSWORD No.9,730 Set by ADAMANT 5 The run finishes in tears (5)

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15 Still the question that is car seats is negotiable (10) 12 Turn off the lights - the sent by word of mouth (9) 17 Radiant cry around bishop king is sick (4)

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disease in the Borders (5) 20 Class document (4) 21 Historic cycle (10) 23 Part of the charm of golf in essence is its subtlety (7) 24 Join the union again (7) 25 Hidden talent revealed (6) 26 Almost all fashion from

dle (6) DOWN 1 Put it down to young girl with appeal (5) 2 Regular cash input to rake Tom. Bill and poor Sty -

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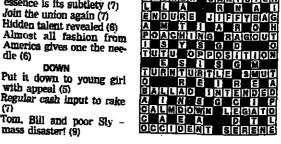
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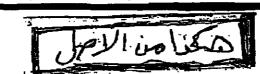
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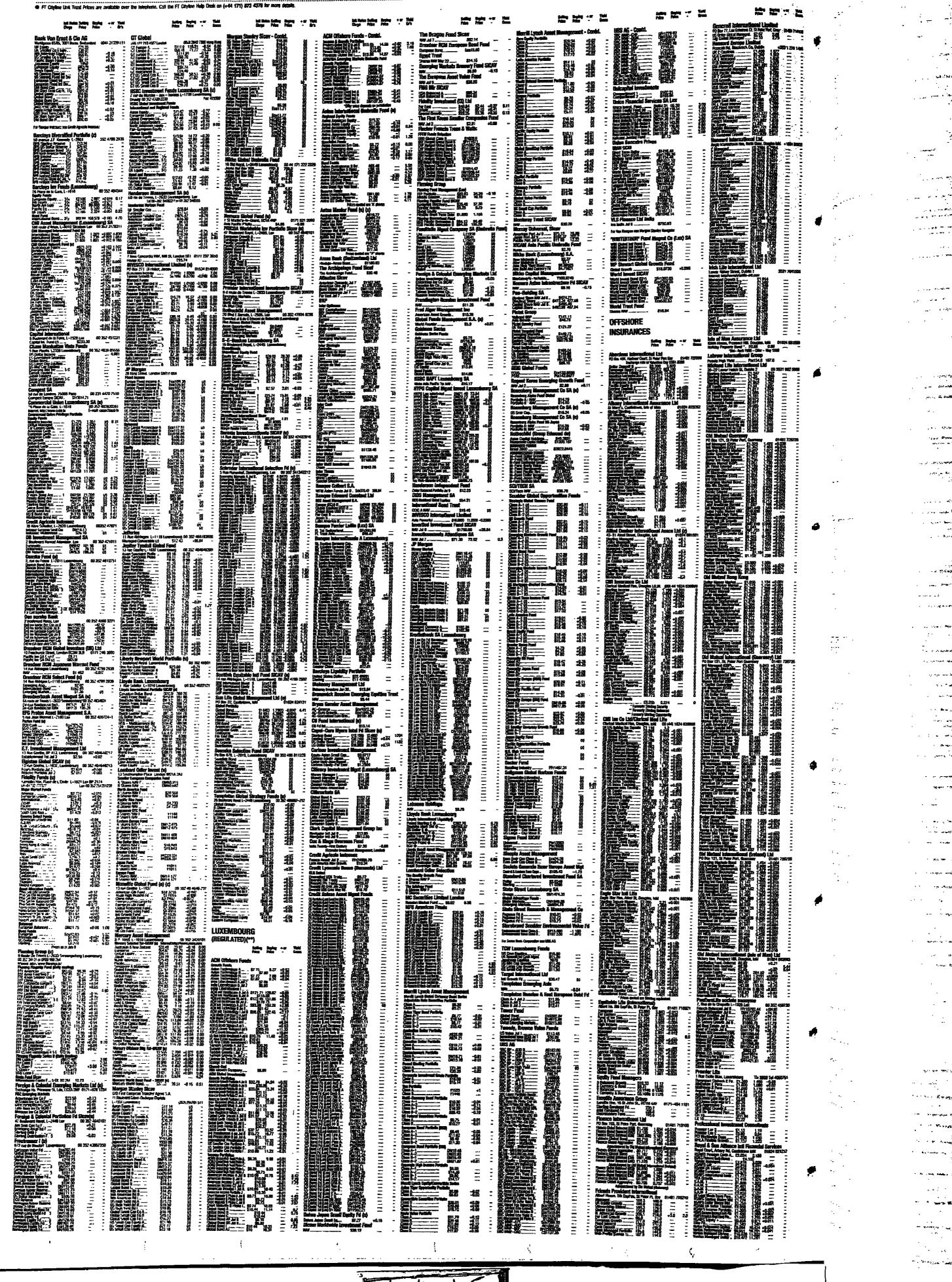
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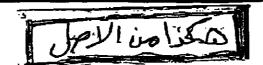
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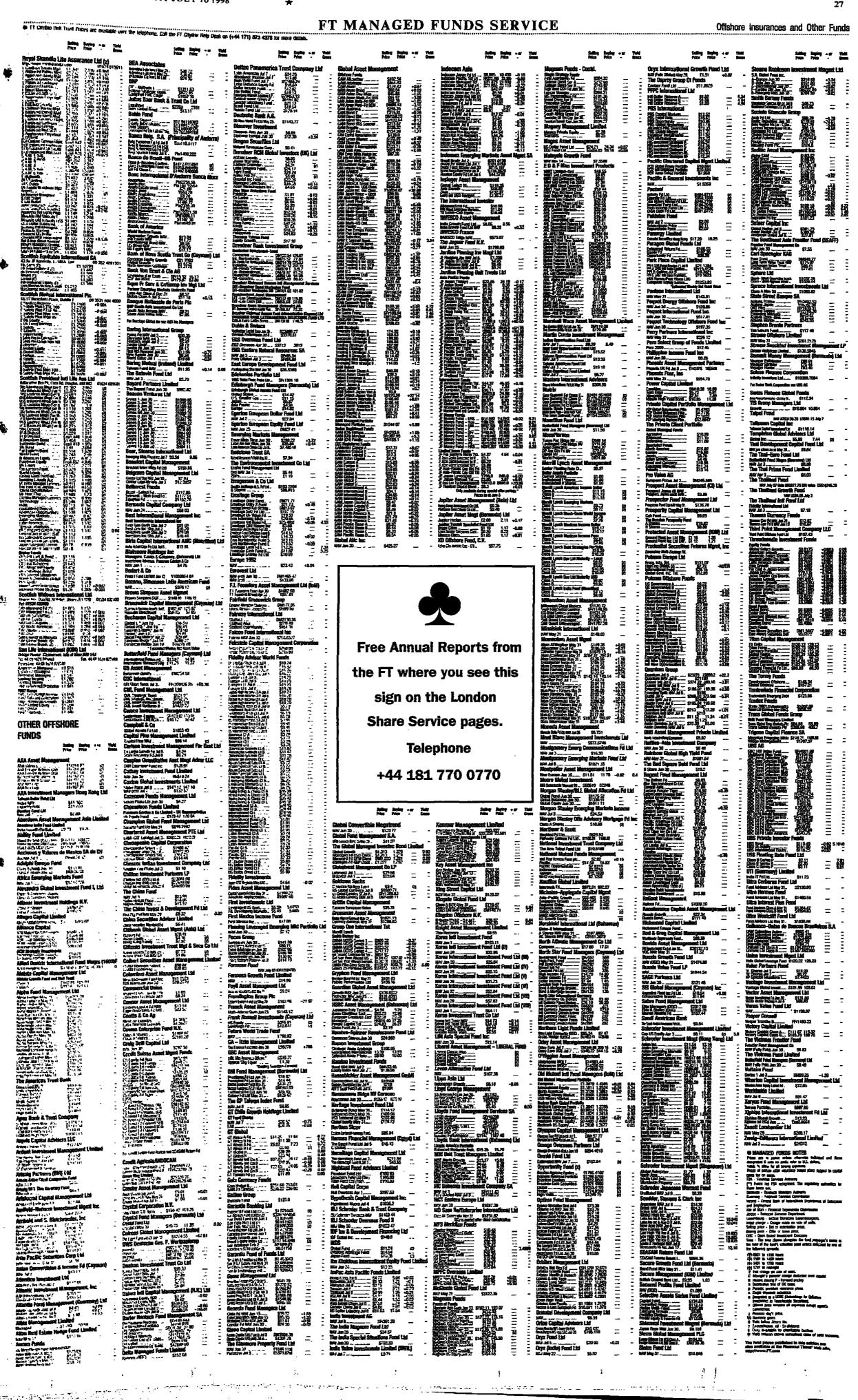
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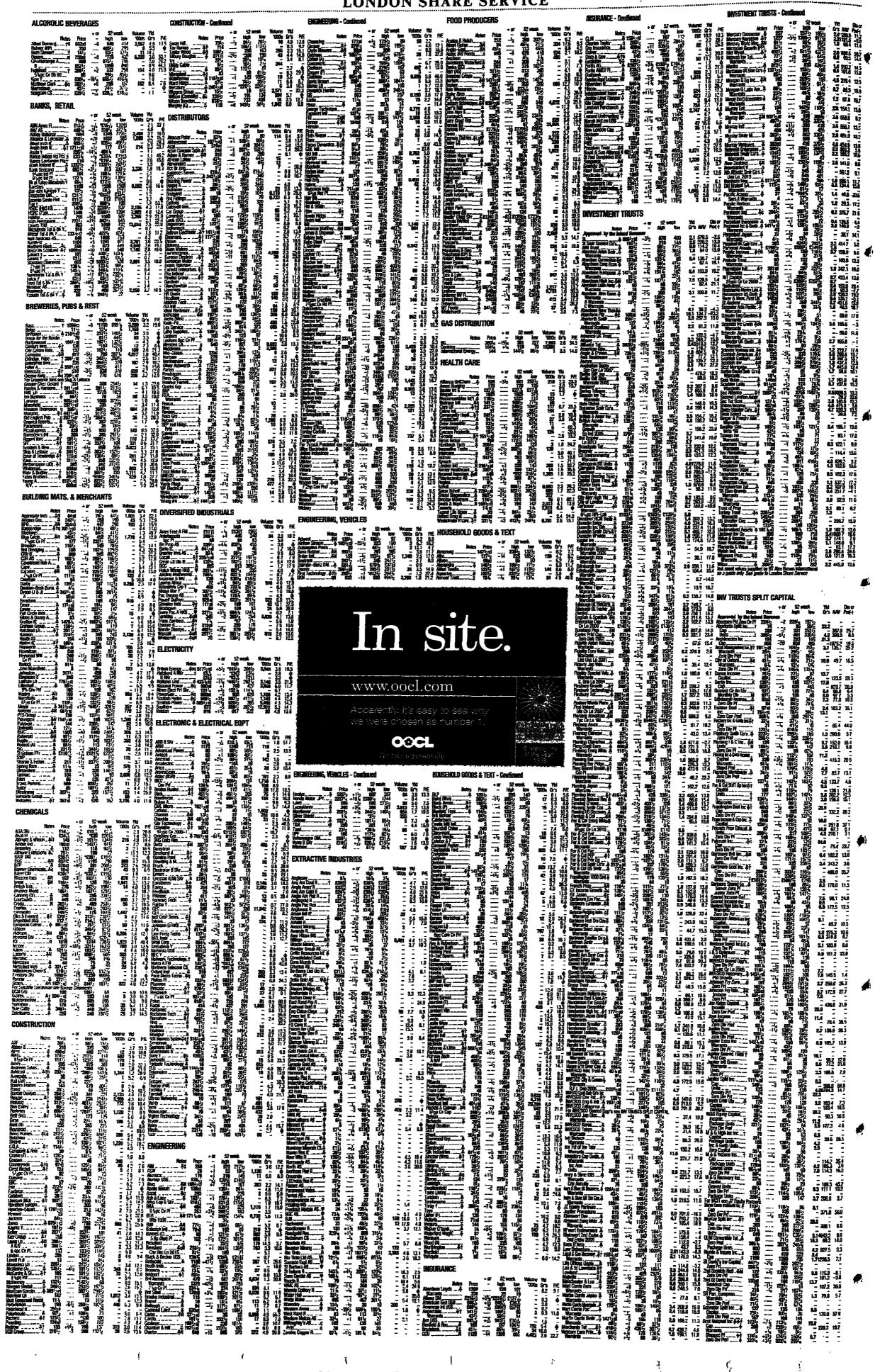


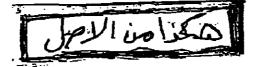
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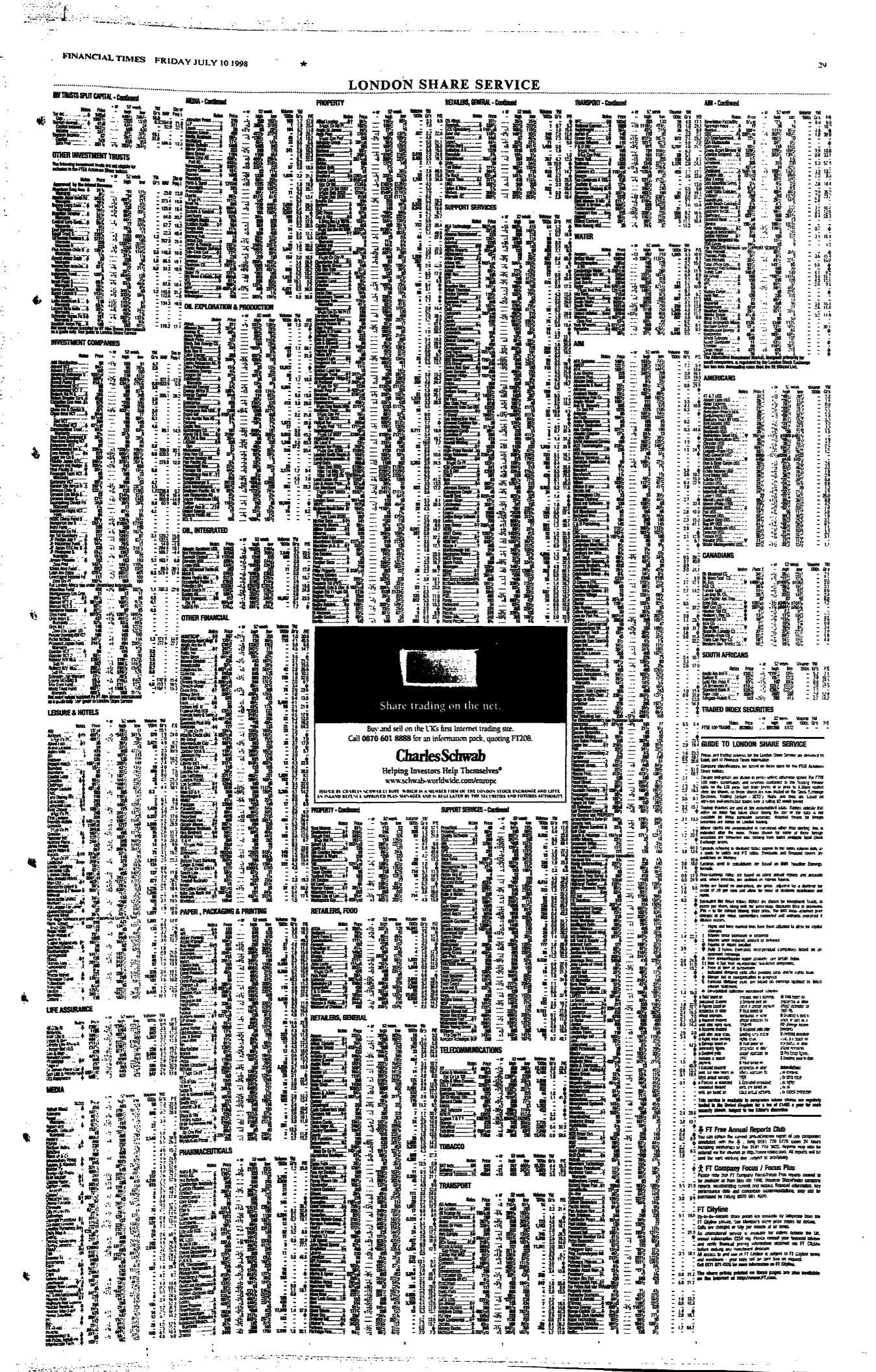


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Footsie's winning run ends despite rate relief

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Just as Wall Street's strength in recent sessions anxiety about a possible rise in UK interest rates, so US responsible for a reversal in

decline was prompted by a profit warning issued by ket's leading companies, the index posted a 61.5 which saw the Dow Jones decline, while the day's best

Industrial Average off more level was a rise of more than - the FTSE SmallCap index than 50 points early in the 34 points. US trading session.

the Bank of England's monehas propped up a London tary policy committee had equity market ridden with decided to leave interest down at 5,969.7. rates on hold. The committee's no-

lise the equity market, only Wall Street's opening as US stocks deteriorated. Over the session, the FTSE 100 index moved in a near DuPont, one of the US mar 100-point arc. At its worst,

That eroded much of the sequence of six winning per- 2.586.8. confidence boost given to formances by the index London stocks by news that grind to a halt, with Footsle dropping below the hardwon 6,000 level, ending 39.9 But the abrupt about-turn

influences were partly change decision helped stabi- a similar reversal in the second-liners where the FTSE tional cash into the market. rates to 7.5 per cent was the for sentiment to take a dip 250 racked up its seventh consecutive gain to close 11.3 of enthusiasm had worn off, although one more increase high of 5.638.8.

ahead at 5,633.3, although the relentless flow of profitclosing below the session taking, a feature of the market recently once the front-Once again the small-cap line index crosses the 6,000 day, indicating reduced nerstocks were largely ignored mark, then took over.

languished throughout the

loss in the FTSE 100 trans-

formed into a 20-point gain

But once the initial burst

within 30 minutes of the

"In the past it has always been wise to lock in profits The day's events saw the day, closing a net 2.7 off at above 6,000. Now there are additional pressures affect-Dealers said the market's ing sentiment, currencies, uptick on the interest rate earnings downgrades and decision, which saw an 8.8 the Asian crisis, that still looks to be a wise move," said one marketmaker.

He said the market in the leaders did not induce announcement, had remained unconvinced that attracted a flurry of institu- the June increase in interest last in the current cycle, in the short term could well prove to be so. Short sterling sness about a rate rise.

est muted showing, there was a handful of exceptional performers among the market's smaller stocks, notably Creative Publishing, which attracted an agreed bid from Hallmark of the US. And retailer Brown & Jackson produced a bullish trading statement

There were more profit warnings in the sector, however, with Airflow Streamlines, Critchley and Telspec all severely damaged.

Turnover at 6pm reached futures rose sharply yester- 931.1m shares, of which 50 per cent was in non-Footsie

> strategic review which includes the disposal of two core husinesses. PPL Therapeutics, the bio-

the household textiles, carpeting and varn company which announced a full-year loss of £28.4m a month ago, was very heavily traded. Two blocks of 10m shares were traded at 38%p a share. The underlying stock closed unchanged at 40%p.

The tide looked to be turning for mobile phones operator Orange, Footsie's best performer this year, after a broker suggested both the stock and the sector were the market and sector. They

The shares fell through

A note from Henderson medium-term price and regu-

latory pressures. Among the individual

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LONDON RECENT ISSUES: EQUITIES

FTSE All-Share index

Burmah steaming

COMPANIES REPORT

One of the few pleasures afforded hard-pressed analysts is the potential for

on Burmah Castrol, the fuels group. Highlighting the oil company's potential under chief executive Tim Stevenson, the broker has set a £13 price target on a stock it calls "Stevenson's

Burmah is trading at a 13-year low relative on every major valuation parameter." it says. "This valuation ignores the potential benefits of the most significant refocusing of strategy since the early 1980s, underway under new chief executive Tim Stevenson."

20 to £11.25 and rival anslysts said Alex Brown had a valid point. But some seasoned sector specialists were reminded of Burmah's attractions to lovers of wit and repartee.

A couple of years ago a big note on the company enti-tled "Barbarians at the general acclaim for presenta-

tion. However, the price tar- was poised to make a move. get of £20 proved to have Aon has previously been more punch than even Attila the Hun could handle.

Takeover talk returned to Willis Corroon sending the stock to a new 12-month high on unusually heavy

reported a 6 per cent fall in denied any awareness." first-quarter 1998 profits and insurance broking may get recommendation to drive worse before they get better. Nevertheless, the shares moved up 12 to 177p with 1m shares changing hands.

Dealers latched on to ume rose to 5m. rumours that Aon of the US

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FT 30 hourly changes

sector has been anticipated for some time. However, ana lysts were sceptical about yesterday's story. One said: 'I've just out the phone The company recently down on Willis and they

Consolidation within the

The move to leave UK signalled that margins in the interest rates unchanged highly competitive world of combined with a broker's retailer Debenhams sharply ahead in brisk trading. By the close the shares

had gained 201/2 to 330p; vol-Specialists expect the

move on interest rates to boost spending in the group's stores while switching from Sears ahead of the demerger of Selfridge, its premier store, a week on Monday, also helped drive the shares forward.

ter yesterday reiterated its believes Debenhams has been unfairly hit by the negative sentiment that has surrounded the retailing sector in the last few weeks. Turning to Sears, she said:

"We do not see value in Sears. investors do not need to buy this stock to get exposure to Selfridge. I expect a bumpy ride for Selfridge after the demerger."

SmithKline Beecham responded to perceived US

analyst said the stock had reached a "Golden Cross", a situation in which the 50-day and 200-day moving averages

Best and worst performing FTSE sectors Gas Bistribution 3300 3100 .3000 2900 Apr

> collide. Chartists see it as a signal for a period of sustained and aggressive short-term buying that, in SmithKline's case, was seen as taking the stock to 900p.

The prospect of US investors reversing their 18-month Morgan Stanley Dean Wit- selling of the stock and rebuilding their weightings "buy" stance on the shares. from the current 25 per cent Analyst Julie Ramshaw puts pressure on UK funds. And gains over the past few days have been accompanied by heavy turnover. Yesterday, the shares were up 10 at one stage and ended comparatively firm against

> closed only 21/2 off at 782p with volume of 17m. Wellcome fell 25 to £18.13 the profits warning from DuPont of the US. Both companies are heavily exposed

Barclays was a strong performer ahead of the bank reporting season which begins in a fortnight.

eral senior executives are to leave within the next 12 months and decided that it cleared the path for consolidation. There was active buying leading to turnover day 53 higher at £17.88.

Brent ing the announcement of a acquisition".

FTSE Actuaries Share Indices

technology company that cloned Dolly the sheep, hit a new 52-week low. The shares shrugged off news that preliminary results from the first Phase II study of its treatment for cystic fibrosis nationts showed the product is safe and well-tolerated. They fell 5 to 162%p.

Readicut International,

Orange blues

fully valued.

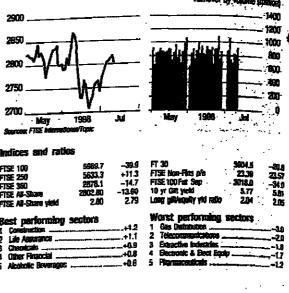
the 700n mark, closing 361/4 In comparison, Glaxo or 5.1 per cent off at 670p, the worst performer in the and Zeneca toppled 62 to Footsie. It was closely fol-£24.70. Zeneca responded to lowed by rival Vodafone which surrendered 38 to 778p in trade of 13m.

> Crosthwaite on valuations said: "We remain concerned the UK cellular networks are becoming fully valued. In our view the re-rating of mobile stocks has paid too much attention to bullish long-term penetration projections and not enough to

stocks, Henderson says, "We of 6.1m shares and Merrill find it increasingly hard to Lynch was understood to come to terms with Orange's igher at £17.88. loss forecast from £60m to lost Ameta (10)

International £80m "to reflect the Copyright FISE International increased cost of cube and lost Ameta (10)

The control of the control of the cost of cube and lost increased cost increased cost of cube and lost increased cost stock. The shares ended the downgraded its current year umped 13 to 116%p follow- increased cost of subscriber



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ahead

By Peter John and Joel Kibazo

research notes. Yesterday BT Alex Brown made its pitch in a buy note lubricants, chemicals and

Rocket".

The shares moved forward

Gates of Swindon" received

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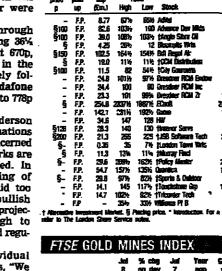
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SK fights back

resisted the rout in internationally traded pharmaceuticals stocks as investors pressure.

One senior chart-based

Apparently, one institution was reminded that sev-



The UK Series

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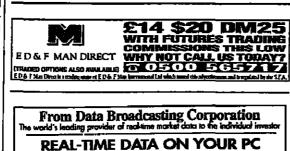
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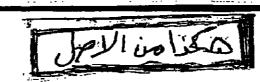
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Time of FTSE A4-Share Day's high: 12-06:00 Day's lown 15:16:00. FTSE A4-Share 1988 High: 2005.10 (28:06-06) Lown 2005.32 (12:01/09) Further information is marketile on intervent flex.com

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† Sector P/E ratios greater than 80 are not shown ‡ Values are negative.





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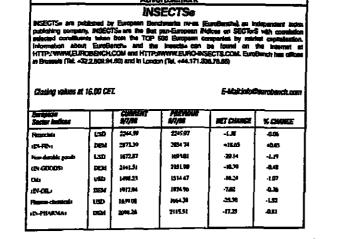
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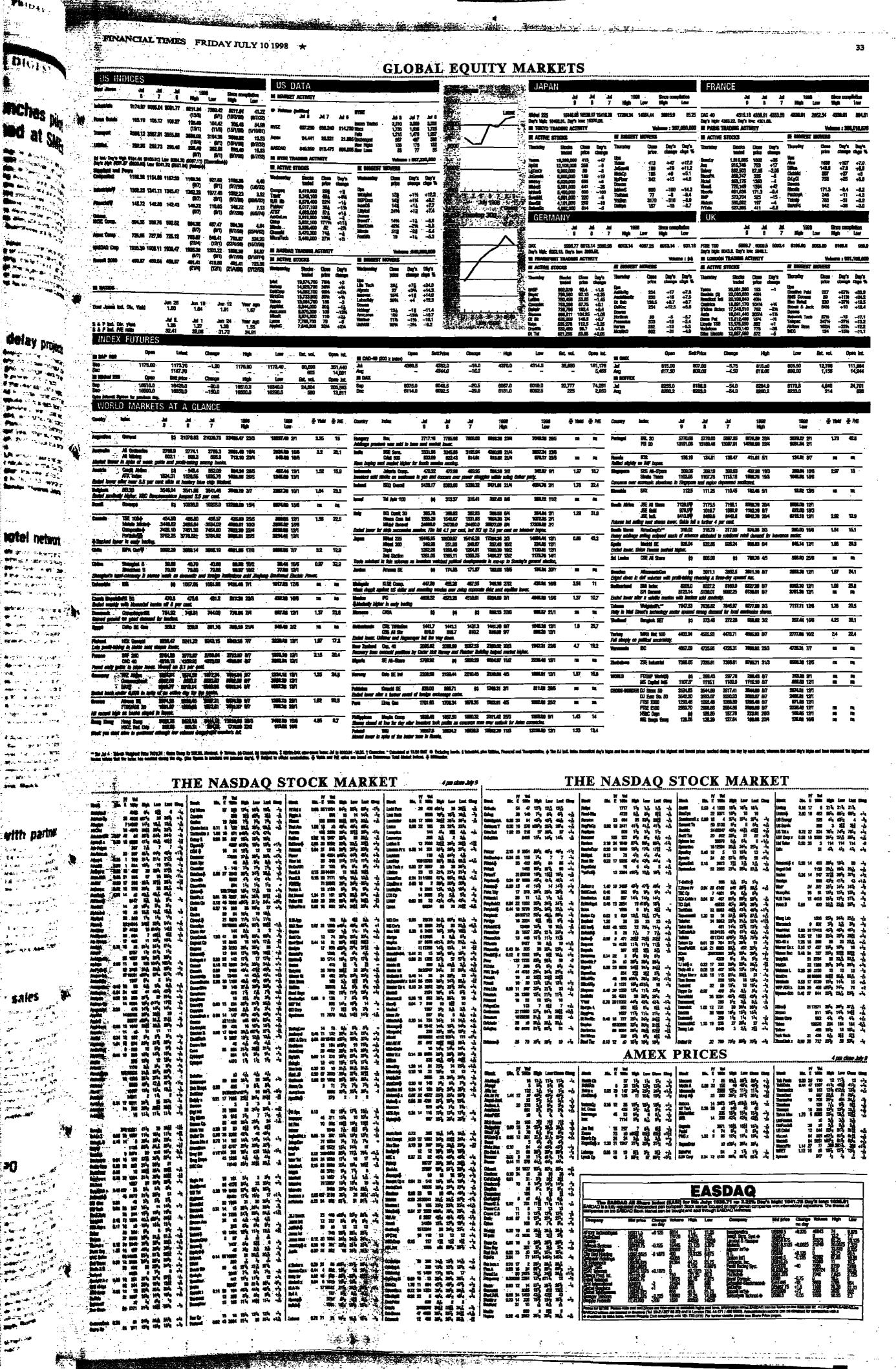
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STOCKOMARKETS

Worries over US earnings deter investors

halanced.

WORLD OVERVIEW

DuPont's profit warning caused jitters among inves- failure to produce specific tors, confirming the increasing impact of Asia's turmoil rumours about Boris Yeltsin, on US corporate earnings, Russia's president, weighed

rose to intra-day peaks ear- the Hang Seng index, which lier in the session, lost fell more than 2 per cent. ground as Wall Street headed lower in the opening that it expected a 15 per cent

the cue for profit-taking. Disappointment at Japan's

tax-cut measures and health on Asian equities. The yen's European markets, which decline to the Y140 level hit DuPont's announcement

minutes of trading in the US. decline in earnings for the Paris, Frankfurt and Amster- second quarter presented

down in the US. The chemi- on the sales of US compacals group said weak nies, keeping profit margins demand and currency trans- down. The decline in marlations in Asia were partly gins comes as labour costs

only hit export demand, but nies. Cheaper imports offset has also brought about a domestic inflationary pressays Matthew Wickens, economist at ABN-Amro in

Cheaper Asian products advocating bonds, while the the safe-haven countries

be limited. "There is plenty of liquid-

ity in global markets and the market will probably move remain high, further hitting sideways in the medium "Asia's weakness has not the bottom line at US compaterm," says Trevor Greetham, strategist at Merrill price competition, and a sures and make the interest Lynch in London. Among emerging markets, rate debate in the US finely

Athens rallied to a record high, led by the banking sec- in the US. In the face of slowing US growth, many analysts are

based Gotthard Bank posted

Shares of the two big

Swiss banks hit intra-day

highs for the year, although UBS has only been traded as

a single unit since June 29.

at SFr621 while CS Group

which will report first-half

results on September 9,

alises in asset management,

Sumitomo Bank, said it

expected 1998 net profit to

cent. The shares rose SFr35

SFr405 to SFr7,890 after the

lost SFr180 to SFr15,465.

get price of SFr9.500.

Travel group Kuoni gained

to SF11,200.

and is majority-owned by

Gotthard, which speci-

UBS finished SFr6 higher

positive first-half results.

dam eased as investors took further evidence of a slow- are starting to put pressure impact of slowing demand suggested by Deutsche Moron US equities is expected to gan Granfall. According to a ranking

ance on commodity exports, short-term obligation and currency stability, the hank's emerging market team has identified markets which are relatively insulated from global deflation, the yen's fall and weakness

Profit warning Frankfurt gains slip away

from DuPont dents Dow

AMERICAS

Profit warnings gave blue chips a buffeting on Wall \$66% after it warned of low-Street but continuing enthu- er-than-expected secondsiasm for technology stocks Tomkins in New York

Industrial Average was after the previous day's mar-down 42.10 at 9,132.87 and ket close. Yesterday mornndex was up 5.89 at 1,941.28, given a boost by better-than-expected results from internet company Yahoo!

depressed blue chips, the most worrying of which the company's announcecame from DuPont, the ment of a bigger-than-expec-

DuPont's shares tumbled \$6% or 8 per cent to \$71½ after the company surprised the market with a warning crop-protection business and other factors would cut second-quarter earnings per

Other companies delivering profit warnings included J.C. Penney, the department store group, which said an unexpectedly high level of markdowns would result in lower second-quarter earnings. Its shares fell \$5% or 7

West Marine, a retailer of C\$19.70. boating equipment, saw its shares plunge \$41 or 28 per cent to \$11% after warning that second-quarter profits would be below analysts' gas plant in Venezuela.

Hershey Foods, the chocolate company, fell \$\frac{11}{2}\$ to

The boost to technology site index to a new high at stocks came mainly from midsession, writes Richard Yahoo!, an internet comomkins in New York.

At 1pm, the Dow Jones better-than-expected results the Standard & Poor's 500 ing, the company's shares index was 2.39 lower at jumped \$10% or 6 per cent to

But there was bad news in

cent lower than a year ear-lier. \$1.50 to \$292.70 and weighed on the gold and precious

metals sub-index, which fell ATI Technologies jumped to a high for the year of C\$20.20 in heavy trade in FFr1,394 on reports of an response to sharply higher third-quarter earnings. But

TransCanada Pipe gained 5 cents to C\$26.15 following news it had been awarded a contract to build, own and operate a natural

Mexico keeps uptrend

push higher with the latest round of government budget cuts providing solid support for sentiment through a morning of modest trading

The share market ran into some profit-taking at the opening bell, but the uptrend that has been apparent over the past seven sessions, quickly reasserted itself. By midsession the IPC index was up 38.17 at 4,611.45. Late on Wednesday, the

finance ministry announced spending cuts of 5.5bn pesos to offset declining oil revenues. "This is good news for the bond market and therefore for equities," said one

Market heavyweight Telmex was in the thick of the light.

ASIA PACIFIC

Trading in TOKYO remained subdued in thin volumes as

investors watched political

developments in the run-up

to Sunday's election, writes

Alexandra Harney in Tokyo.

ended 0.5 per cent or 84.02 lower at 16,446.95 after trad-

ing between 16.370.08 and

16,492.51. Volumes were a

meagre 400m shares. Decli-

ners outpaced advancers 786

Foreign investors were

active in the market, ana-

lysts said. The steel and con-

struction sectors continued

to be heavily traded, based

on expectations that a

widely expected government

increased public works

Nippon Steel, which has

recent weeks, fell Y6 to Y259.

Iron and steel shares overall

The Long Term Credit

Bank, which has been

rumoured to be facing a

tumbled 2.4 per cent.

The Nikkel 225 average

MEXICO CITY continued to morning's action. The shares rose 35 centavos to 22.45

> SANTIAGO advanced as lower interest rates triggered buying orders and the IPSA index rose 1.13 or 1.3 per

the technology sector, too. Shares in Advance Micro Devices, the semiconductor or 14 per cent, to \$151 after chemical company, which is ted second-quarter loss the night before. The company has been struggling to cope with price-cutting by Intel and a downturn in demand. TORONTO edged back at

midsession, with the 300 composite index falling 25.17 to 7.426.10 in turnover of just August Comex gold fell

the shares pulled back to trade 55 cents higher at

continued worries about rand. The overall index fininternational oil prices. By midsession the IBC index was down 85.55 or 1.8 per cent at 4,640.40, although volumes were said to be

dropped Y5 to Y59.

reform plan would lead to stocks. Yuasa, a storage bat-

been heavily traded in has more than quadrupled in

Speculative trading contin-

ued to lift undervalued

tery maker, was the most heavily traded share, gain-

ing Y47 to Y418. The stock

nation's largest sewing machine manufacturer,

value since January.

climbed Y19 to Y189.

quarter profits.

Market heavyweight Cia de Telecomunicaciones de Chile rose 69.90 pesos to 2,550 pesos, while Banco de A Edwards jumped 2 pesos to 42 pesos on rumours that Spain's Banco Bilbao had agreed on an acquisition at

os a share. CARACAS moved lower on

of 6.051,35 to close 18.05 lower on the day at 6,000.84. Financials had a mostly good day. Dresdner Bank, up DM1.06 at DM96.06, was among the session's outperformers after the bank two Credit Lyonnais branches in Stockholm and

> Allianz closed DM22.50 higher at DM652 after a local press report that the two were to merge, although no date had yet been set. Viag climbed DM37 to DM1,887 on a sustained rumour that the company was to sell one or more of its non-core businesses with a view to concentrating on its

> > Sports group Adidas-Salomon climbed DM2.50 to DM258 after Robert-Louis Dreyfus, the chairman, said that the company expected 1998 pre-tax profit to rise by more than 20 per cent. PARIS pared early gains

to close with the CAC 40 index off 20.73 at 4,819.18. Volumes were again nominal and selling pressure was said to be fairly light. Vivendi was a firm fea-

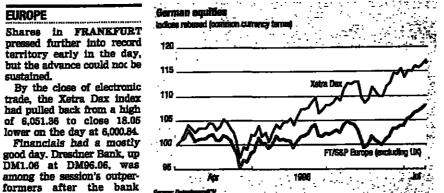
ture, pushing up FFr42 to upbeat meeting between analysts and the group's water operations.

Motors, a strong sector lately, faltered with Renault off FF111.10 at FF1381.5 Peugeot down FFr17 at to Fl 90.70.

com retreated FFr6.80 to

A first-half return to profthe shares up FFr27 to FFr567. TF1 shrugged off "take profits" advice from JP Morgan, adding FFr32 to FFr920. The broker expects earnings growth to be hit by

But the hot stock among second-liners was car parts maker Montupet, which



surged FFr49.90 or 17.8 per cent to FFr329.90. AMSTERDAM turned lower with the AEX index slipping 2.24 to 1,257.58 after hitting a fresh intra-day

record of 1,268.57 early in the KNP rose Fl 2.80 to Fl 87.20 after Goldman Sachs added the telecoms group to its Drinks and foods leader Boltelecommunications busisWessanen gained Fl 1.20 to FI 30.90 after a renewed outbreak of tentative takeover

> ABN Amro continued to gain ground, adding 40 cents to F151 as the group's \$3hn Brazilian banking acquisition met with a wave of posibank upgraded it to "buy" and lifted ABN earnings forecasts for 1999 and beyond.

Trading group Hagemeyer dropped sharply after a profits warning from retailing offshoot Ceteco, Hagemeye fell F16 to F187.20 while sliding Fl 28.50 to Fl 90.50. KLM, up 11 per cent in two days, ran up against profit-

Elsewhere among the favour following a broker heavyweights, France Teledowngrade, dropping F15.10 downgrade, dropping FI 5.10

to Fl 157.10 for a three-day decline of 7 per cent. Copier group Oce fell back

its lifted Club Med, sending F14.30 to F184.20 in spite of solid first-half results ZURICH finished lower after a volatile session which saw the SMI index pull back from a new intra-day high of 8,288.7 to close 22.2 lower on the day at 8.205.0.

The banking sector held on to some of its strong early gains after the Lugano

Weaker rand hits Jo'burg

Johannesburg was depressed ished 47.5 lower at 7,128.0.

Financials, under pressure for the last six weeks as companies faced reduced margins due to increas

8.2 to 11,856.5. Premier Group edged up

cents to 152 cents as specula tion mounted it was about to dispose of its milling and

dull bullion price, while industrials finished 45.8

KUALA LUMPUR stayed weak, slipping a further 7.39

to 447.89 on the composite

MSS.4m disposal.

official rates, managed a better performance, picking up

by a pullback in futures and further weakness in the Golds dropped 41.2 or 4 per cent to 978.5 in response to a

Tokyo subdued ahead of election

index for a two-day decline of 4.2 per cent. Volumes remained low with worries about the Cathay denied the rumour. financial sector highlighted by the troubled MBf finance KARACHI tumbled 8.9 per cent as the central bank group. MBf Capital, a group imposed more curbs on forcompany, lost 13 cents to 51 eign exchange and raised the cents after announcing an forward cover fee on foreign

MANUA ended at its low for the session with investors tracking the weak yen and taking profits. The composite index ended off 29.10 or 1.6 per cent at 1,828.40.

PLDT lost 10 pesos to 985 Among financials, Ayala Land retreated 50 centavos that international sanctions, to 12.50 pesos but Metropolitan Bank, the day's most nuclear tests, were putting heavily traded stock, improved 3 pesos to 247

Janome Sewing, the pesos. HONG KONG dropped 2.3 cent as foreign funds turned per cent as a weaker Japanese yen dealt a blow to sen-The Topix index of all first timent, but brokers said thin entered talks about a merger or 6.12 to 1,262,28. In Osaka, fall. The Hang Seng index stan Lever to Rs1,608.

the OSE index slipped 46.1 to lost 195.40 to 8,433.78 in mes gre turnover of HK\$3.2bn. Pacific was among the win ners, gaining 20 cents to HK\$6.50 on speculation that British Airways was planning to take an equity stake.

> 100 index dropped 33.71 to Analysts said that fears of a moratorium by Pakistan on its foreign currency debt of more than \$30bn were looming large over the mar-

currency deposits. The KSE-

One trader commented imposed after the country's the economy under enor-

mous pressure.
BOMBAY jumped 2.7 per aggressive buyers of blue climbed 86.10 to 3,331.98, led liquidity crisis and has sector stocks lost 0.5 per cent volumes exaggerated the by a Rs50.25 rise in Hindu**EMERGING MARKET FOCUS**

Asia eyes fate of faltering yen

As Japan prepares for Sunday's upper house elections, Asian markets are nervously keeping an eye on the fate of the yen.

Ever since the US dollar Asian governments last year, the region's currencies and equity markets have become increasingly sensitive to the vagaries of the Japanese currency.

dollar in late March triggered the second wave of the downturn in Asian markets, which had been enjoying a brief rebound during the Now that most Asian cur-

rencies are floating, their financial markets are more sensitive than they used to be to the economic woes of economy and creditor.

markets in the 1980s and BT Alex Brown.

tation by the electronics ATHENS closed at an all-time high, carried along by a solid performance in For most Asian countries.

45.88 to 2,674.28 while the banking sector jumped 8.8 Nicholas Georgiadis at Omega Securities in Athens

rise sharply after first-half gross profit rose 26.1 per But in spite of the eupho-

mended the stock with a tar-In the pharmaceuticals sector, Roche certificates

due today. Novartis was marked SFr23 lower at MADRID moved modestly lower in line with the broad trend across Europe with the general index ending off 5.94 at 926.94. Telefónica gave up Pta80 to Pta7,440, but there

was no shortage of firm fea-Electric utility Union Fenosa jumped Pta150 to interview with chief executive Victoriano Reinoso. Radiotronica added Pta270 or 4.1 per cent to Pta6,790 following an optimistic presen-

the banking sector amid turn speculation about the sale of ited. a minority stake in Ergo-The general index climbed

in the banking sector were boosting the shares of private sector and soon-to-beprivatised state-controlled

private bank, Pictet, recomria, all other sectors were underperforming.

Written and edited by Mickeel

The yan's decline below the Y180 level against the

"You would have been hard pressed to find a link early 1990s," points out James Montier, strategist at

But while fears of a weak bank lending accounts for 44 Japanese economy and a depressed yen have had a large downside impact on emerging markets, the upside effects when the Japanese economy eventually turns around may be lim-

Japan is a less significant trading partner than is generally perceived, and the reviving effect of a recovery in its economy on the demand for imports from Asia may be limited. Apart from Indonesia,

exports to Japan, the region has a more significant trad-Japan's main role in the region has been that of an exporter of capital. The Jap azese account for 40 per cent of Asia's total external liabilities, according to ING Barings. "Japan's export of capi-tal to Asia has been



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Constrained by bad debt quacy ratios, Japanese to fill the financing gap in Asia even in the face of an

economic recovery. On the other hand, the in Asia have been huge. Hong Kong, where Japanese per cent of gross domestic product, and Singapore, where the figure is 61 per cent, are expected to be hard hit if credit lines are cut by

Thailand, Indonesia and Malavaia also have high levels of exposure to Japanese

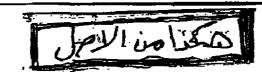
bank loans. According to ING Barings the focus for Asian emerging markets is thus likely to shift from the ven to Japan's ability to restructure its

Debt rescheduling and refiwhich sends a quarter of its nancing are vital if Asian economies are to stabilise. taken by Japan to repair its fragile banking system notably the bridge bank scheme - is likely to become one of the key factors affecting the region's emerging

Emiko Terazono







Global Custody

*Consolidation is continuing, assets are expanding and prices have begun to rise. Jane Martinson reports on exciting times for the industry

The giants get even larger

Global custodians have to handle the change of Morgan Stanley's commit-tested the lexicon of large- dates in 2000 have baulked ment to the business seemed ness in the past year. A at the costs involved At the as strong as any bank's last series of mergers has consolidated assets into fewer and fewer institutions with the world's largest custodian spend money on systems and far as we are concerned. now handling \$4,700bn.

This consolidation, which has been intensifying over gle currency across Europe recent years, looks set to will also lead to great continue. The largest custo-upheaval as custodians cope dians are prepared to expand by further acquisition and Manhattan, the world's large decided to focus on three most industry analysts support the view that scale is that more than 1,000 share

manager of the Bank of New of the new currency with a joined other established cus-York (BoNY) in London, further 24,553 changes later. says: "There has to continue to be consolidation in this has estimated that the aver- America and Wells Fargo industry. Scale means every- age spending on technology which have left the business

managers when she fore- year on systems. casts the dominance of four domestic companies. "There decided to exit the business will be more consolidation rather than continue to combecause there is still excess pete. capacity," she says.

Beneath the largest half this year has underlined more medium-sized compa- changing. Morgan Stanley enhancer. They estimated nies seen as potential take. Dean Witter, the US finan- that the mooted Mellon

fled in the past year partly mated \$600m to Chase in securities processing, global as a result of significant May. The deal came just custody and depositary challenges and costs faced

improve services.

est custodian, has estimated prices could be redenomi-Jeffrey Tessler, general nated on the first weekend

Lipper Analytical Services gan, NationsBank, Bankby the top 20 custodians is in the past two years. Sandy Jaffee, division \$80m each a year and rising. executive at Citibank, with Chase and BoNY, two of the banks has helped fuel the almost \$3,000hn in assets, largest custodians, each ambitious expansion plans of echoes many other industry spend more than \$200m a the largest groups.

One of the latest takeovers assets. updating computer systems the UK's Barclays Bank.

global custody is a business The introduction of a sin- with prospects which we want to be in."

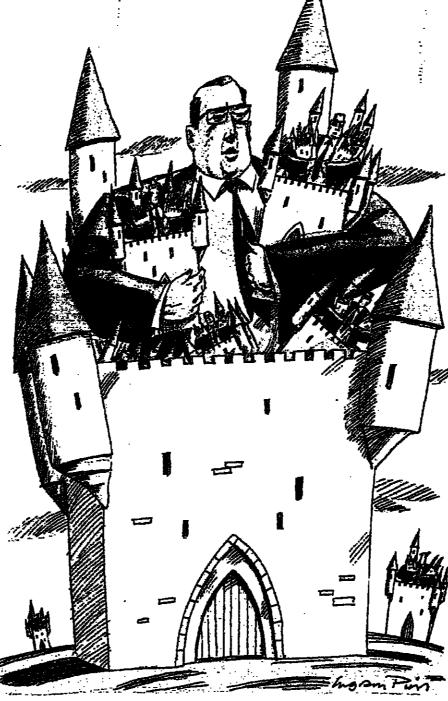
In selling its custody business, with \$400bn of assets, with the changes. Chase Morgan Stanley said it had asset management and credit services.

In doing so the bank tody names such as JP Mor-

The decision of these BoNY made its unwelcome

Given these figures it is \$24bn bid for rival Mellon or five truly global groups hardly surprising that many Bank of Pittsburgh earlier alongside several niche, medium-sized groups have this year. The proposed deal would have created the largest global custodian in the world with \$5,500bn in

Analysts welcomed this dozen custodians are 20 or how fast the industry is abortive deal as a value cial services group, sold its Bank of New York's domi-Consolidation has intensi- custody business for an esti- nance of businesses such as over a year after Morgan receipts would make it one the industry. Stanley bought a large part of the US's most profitable, Companies faced with of its custody operation from with a return on equity of nearly 25 per cent.



gic rationale given for many \$750bn to achieve critical Greensted, a director at ket. State Street, one of the world's three largest custodians, said: "You do need criti- vate banking group with where near as much as oth- longer-term view. "Prices rently between \$5bn and cal mass so that you're effec-

With more than \$4,000bn under custody, it is hard to be. Lipper repeats industry estimates which suggest that tory approach of some of the over recent years.

tively able to generate cash

This underlines the strate- custodians need at least largest custodians."

of the London office, said: "We choose to compete on

He rejects the suggestion takeovers. Richard mass in the domestic mar-that huge scale is necessary to cover the expense of new Others, such as Brown technology. "It's not true Brothers Harriman, the pri- that we have to spend any-\$525bn of assets under cusers do," he said, pointing out have certainly been coming \$6bn, are forecast to rise to tody, disagree. Hampton that the group focused on Lynch, executive chairman certain client groups and sectors. In spite of this the bank has increased spending grasp how big you have to the basis of superior client on technology by "signifiservice as opposed to the fac- cant double digits" each year

IN THIS ISSUE

Outsourcing; Profile; Bank of New York P808 2 Sub-custodian risic Network management Page 3 Price pressures; Profile: Pictet Economic and monetary union; Future of custodians Page 5 Corporate governance; Securities lending: Profile: RBX Trust Bank Asia; India; Profile: Chase Manhattan Page 7 Profile: Intersettle: Africa Page 8 Russia; Technology Page \$

Mr Lynch credits consoliness for some of BBH's increased business. Takeovers absorb much management time and create unavoidable upheaval, he

in the industry. "By the very nature of the business, customers like stability and con- on service rather than tinuity," says Dick Feehan, price." managing director of Bankers Trust. He says that the so-called "master custody" way to "differentiate your-self is to provide quality of

aged to keep 90 per cent of the clients belonging to JP by offering superior and and multi-currency report-

greater service. Competition between custodians has helped drive trasts with 10 years when prices down in the past few custody banks were differenyears. But price cuts have tiating themselves on their caused concern about cor- ability to handle different ner-cutting among some in markets around the world. the industry.

custodians are taking risks attractions. Long-term demoto avoid passing on the costs graphic factors attending an of action. This is highlighted in the area of sub-custodian population, are expected to risk where security can spur growth as are liberalicome with a high price. Anecdotal evidence sug- Bang and countries in the

gests that prices have European Union are expecalready started to rise, hav- ted to increase cross-border ing "hit the hockey stick" investment. last year. This is partly as a and partly, industry execu-

can for now. down in this industry for \$8bn by early next century. many, many years," he said. "I expect we have seen some underpinning expansion, the relief on that front but, in last 18 months of this millenthe longer term, prices will nology does that."

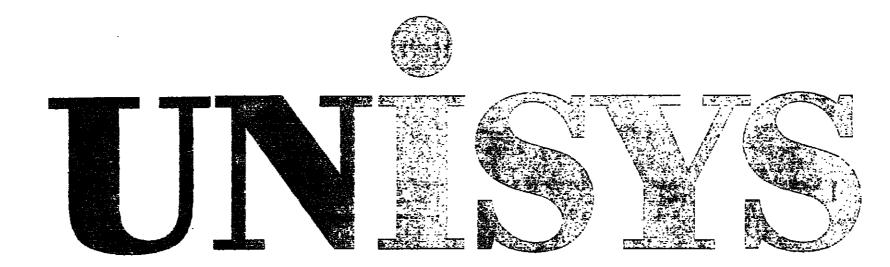
While some companies dation in the custody busi- publicly justify higher prices, clients have grown concentration will lead to higher fees. One senior Others have also argued he said: "In an oligarchy that clients are ill served by with four or five providers, badly handled consolidation people are not going to slash each other's throats on pricing. They are starting to sell

It is little wonder that has gained greater currency in the past year with a profusion of services such as BoNY replies that it man- the monitoring of investment guidelines, better information on company actions Morgan's custody business performance measurement

The industry continues to Some analysts believe that anjoy great commercial sing markets. Japan's Big

Industry estimates suggest result of additional services that assets under custody, which reached some tives believe, because compe- \$40,000bn in 1997, will tition has gone as far as it increase to \$50,000bn by early next century. At the Mr Lynch at BBH takes a same time revenues, cur-

nium look set to be exciting



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OUTSOURCING • by Christine Moir

Managers do an about turn

looming – the millennium bug and the launch of the euro

Last year there were two agers of large British investthose who thought safe cusfunction it would be improper to sub-contract. They significantly outweighed those who thought they were hired for their investment performance skills alone and therefore not for the everyday duties of checking where the assets were and whether dividends were collected on time.

Much has changed in 12 global custodian houses report a marked increase in ers seeking to hand over the ing names. Morgan Guarancustody function. They tee's custody business is in appear to have been driven the process 'of being by a number of forces, some short term, others more fun-

The looming threat of the millennium bug has caused some fund managers to lose faith in their in-house computer skills. Next year's launch of the euro while Britain stands apart concerns many. Others are dismayed by the thought of two, expensive, energy-consuming problems looming so soon after the expensive and energy-consuming efforts needed to grapple with the marginal." London Stock Exchange's new trading and settlement

Longer term they can see in the number of purely administrative functions beyond those of pure safekeeping. All would put more strain on resources and pos-

Two problems are sibly distract them from their core role of asset allo-

Trustees have been mulling over the same problems plus their new responsibilities for appointing custodians. Some have reached the view - at least tentatively that prudence dictates that the custodian is independent ment funds. There were of the stock picker. They are supported by the ultimate clients - the worker saving for retirement or the unit holder - who have become the safety of their assets since Robert Maxwell died.

A third group have had to weigh up the low fees paid for basic custody (now perceived as a simple commodity) against the huge investment in technology they would need to make to offer months. The handful of truly a full range of higher value add-on services.

Some of those who have opted out have been surprisabsorbed by Citibank. Morgan Stanley sold its operations to Chase Manhattan not 18 months after it had bought Barclays Bank's custody busine

Jeremy Jewitt, Chase's senior vice-president responsible for global investor services in Europe, Middle East and Africa, says simply: "Custody was not a core is prepared to admit that business at Morgan Stanley as it is with us, and after Morgan's acquisition of Dean Witter it became even more

Lucille Knapp, responsible for European business development at Northern Trust, one of the handful of global further need to upgrade custodians now emerging technology and an increase after this round of consolidation, echoes the implication in Mr Jewitt's appraisal of Morgan Stanley. "The com-mitment needed to offer



Robert Maxwell: sparked concern about safety of assets

enormous", she says, "particularly if you have to catch up with those of us established in the market."

Ms Knapp, however, is also at pains to distinguish her 110-year-old Chicagobased trust bank from a much more general banking house such as Chase Manhattan. "We are a pure trust bank, with 60 per cent of our revenue coming from custody and related services. We do nothing else." Northern like Brown

Brothers Harriman, are proof that a custodian does not have to be part of a bulge-bracket bank to thrive. Both are best-known for their US client base but both offer custody services for sizeable amounts of non-US assets and, increasingly, for the process 'of being European and Asian clients. Other leading global custo-

dians also acknowledge a future for those in what might be called the first divislon, if not the premier league, so long as they continue to keep pace with the new products on offer by the true giants. Even they cannot always go it alone. Mellon Trust, for instance,

some markets are better tackled through joint ventures. In Canada its partner is CIBC; in Scandinavia, Den Danske Bank. While the local bank provides acress to the local market and familiarity with local regulatory demands, Melion contributes state-of-the-art technology. Mellon is also seeking

partners in Spain and Portugal, which Simon Shapland, Mellon's vice-president in mitment needed to offer charge of business develop-today's range of services is ment out of the London

office, acknowledges are less

mature investment markets

and yet to be wholly con-

vinced of the values of internationalism. But they are not the only countries still resistant to the principle of a single global market. Chase Manhattan is finding that the French can put up endless bureaucratic delays before allowing outsiders equal access to its markets. And Luxembourg is not happy with businesses which do not want to be locally domiciled despite its own special-

ity in cross-border financial

Citibank is one of those bulge-bracket houses to have benefited directly from other professionals' decisions to ouft the custody business. It also has bank branches in 62 countries with a further nine due to become Citibank fiefdoms soon. But even Neeraj Sahai. Citibanks's managing director of cross-border custody and global lending. recognises the need to have local partners in some jurisdictions. Its choice in Canada has been Bank of Montreal and others elsewhere are being looked at.

The fact is that without detailed local knowledge even the most advanced technology will not deliver peace of mind for the end customer, and if they express anxiety local politi-That could lead them to insist, for instance, that custody of local assets should be provided by domestic companies which could lead to local investment houses being forced to reverse

today's outsourcing trend.

PROFILE Bank of New York

A love-hate relationship

Bank of New York is a name that attracts admiration and dislike in ilmost equal measure in the global custody business.

One of the three largest custodians in the world with \$4,2000bn of assets at the last count. BoNY is either loved or loathed for its vigorous corporate approach and gargantuan ambitions. Rivals sneer at a strategy they describe as while many analysts admire the management of a business which has driven

down costs and built a nulti-faceted operations Investment bankers also annreciate its deal-making nature. The bank has made 34 acquisitions of processing businesses since January 1995, including the purchases of units belonging to J.P. Morgan, NationsBank, BankAmerica, Coutts and

Wells Fargo. However, its exploits in the past year may have taken some of the gloss off this reputation as a nccessful dealmaker. Its recent flirtations with rivals State Street and Mellon Bank have mans to make BoNY look somewhat like a suitor who cannot understand why the girls he picks on seem to

prefer to dance alone. The prom started more than a year ago when BoNY announced it had applied to increase its stake in State Street, also a top three provider, from 4.99 per cent to 9.95 per cent. Although BoNY said the move was for investment purposes

Bank of New York: earnings mlx (%)

Securities and other processing .			
DOOG BOOK OF THE PROPERTY OF THE	36	35	. 39
Trust and investment management		8 '	9
Corporate banking	22	. 24	23
Branch banking	14	. 12	-11
Financial market services	12	11	11
Asset-based finance	7	8	-8
Credit card	9	2	
vion-interest income (es % of total revenue)	47	. 54	59

only", it was widely interpreted as an attempt to test the water for a full takeover. Opposition both from State Street's management and from Massachusetts hanking regulators scuppered any such plans and BoNY now has a stake back below 5 per cent.

Then, earlier this year, the group made the largest unsolicited bid for a bank in US history with an unwelcome \$24bn offer for Mellon Bank of Pittsburgh. The so-called Mellon Bank of New York would

largest custodian with assets of \$5,500bn. It would also have enhanced BoNY's ominance in the American depositary receipts market and added to its leadership in corporate trust, stock transfer and government securities cle

A potential deal was welcomed by many Wall Street analysts. Diane ssman, research analyst at Lehman Brothers, said of the deal that it was "based on strong strategic

Moreover, some investors also believed the 25 per cent premium to the share price was not to be sniffed

BoNY walked away from the tie-up, however, having failed to gain management approval.

But it made it clear that it was still in the mood for shopping. Tom Perna, head of the group's investment company services, said: attention back to



Tom Perna: still in the mood for shopping

[expanding] product lines through acquisition." The group is firmly of the view that scale is a key driver to growth in the custody

However, it is also anxious to show that it can compete on client service. Jeffrey Tessler, general manager of London operations, smarts at the pile-it-high jibe. "We are focused on expanding

products. We spend a lot of time with clients assessing how we can provide solutions for them. Either we develop or we acquire product capability," he He says the group offers

"bespoke solutions" to its clients and will ensure that all product needs are met. He points out that the group retained 90 per cent of J.P. Morgan's client base following its acquisition in Mr Tessler blames poor

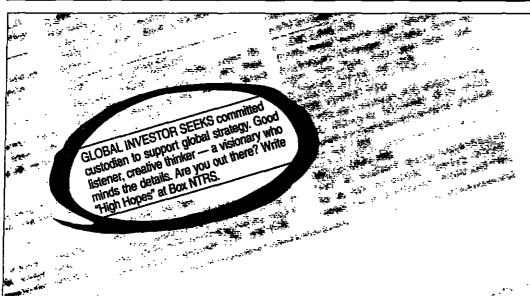
marketing for the bank's reputation for volume rather than value. "One of the things we haven't done as well is to market our products," he says. The group has recently appointed a new marketing

support team in London. Whatever the dynamics for clients, the business has fans on Wall Street. According to last year's survey by Salomon Brothers of the largest 50 US banks, BoNY ranked second in terms of return on assets, and fifth in return on equity. Its 25 per cent return on equity for the first quarter of this year was up from 21 per cent the year before.

Ms Glossman at Lehman says that the group has "a pretty attractive business mix". Its earnings from custody are expected to increase to 38 per cent of earnings, up from 30 per cent in 1996, with fee income forecast to increas as a percentage of total earnings from 47 per cent to 59 per cent in that period.

The support from the bank's management for continued growth in costody looks set to continue, "Custody is not a peripheral competency," says Mr Tessler, "It's right there in the middle and it will continue to stay there.

Jane Martinson



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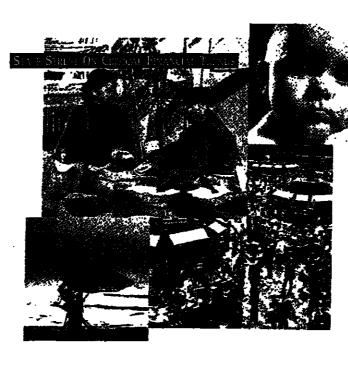
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Which wholes Sumber One 1

Ow to defuse potential time bombs

Turmoil in Asia has brought sub-custodian risk into sharper

been more relevant. As the push to alert the imancial geographic investment horizon has continued to widen ties of tapping into its and market volatility to branch network throughout increase, investors have central and eastern Europe. instinctively looked to their them ways to buy and settle which they are being cross-border investment, exposed grows and of the "Many institutional clie

they have against them. come into sharper focus as a Simon Thomas, a director at result of volatility in the the firm. "People need to Asian markets," says Neeraj know precisely who is tak-Sahai, New York-based man- ing what risk at what level, aging director for cross-bor- and whether they are going der custody and securities to be left with direct expolending with Citibank. "Key sure to an underlying agent operators in cross-border with whom they have no

investing - global custodi- direct relationship. When ans, asset managers, pension funds and insurance companies – are increasingly begin to understand, they looking to use the services of institutions with a strong international reputation and

worlds, the role of sub-custo- houses. dian would always be filled by a suitably qualified indigemerging markets, though, can be hazardous enough without adding unnecessary distractions. In reality, the more exotic markets might financially sound organisation with a healthy balance • heet, good creditworthiness,

name with a local or even make this commitment, and

tered. Citibank, which han- the business." dles some 95 per cent of all its own sub-custody business branches and wholly-owned subsidiaries, is seen as a safe pair of hands, particularly at times of turmoil. Elsewhere, Seldom if ever can the issue ING Barings has for the past

The need to explain risks global custodians to find more fully and to clarify the own. them ways to buy and settle legal responsibilities of cus-quickly and efficiently in todian, sub-custodian and custodians will routinely emerging and embryonic investor was underlined by a frontier markets. In some recent mini-series of confercases, the eagerness to begin ences arranged in London trading can override the and Vienna by Thomas Mur-understanding of the risks attached. This behaviour is ment consultancy firm, on changing as investor aware the subject of asset safety ness of the new risks to and risk minimisation in

"Many institutional clients limited formal protection do not fully appreciate the ey have against them. risks to which they are "Sub-custodian risk has exposing themselves." says you give a workshop to pension fund trustees and they suddenly become very interested. As securities dematerialise, for example, the focus is shifting from agent banks In the best of all possible to depositaries and clearing

"Global custodians tend to enous bank. Investing in arising from country settlement practices. Clients need from their contracts with global custodians to make sure they have no exposure suffer from the absence of a to these local agents; we or embryonic markets have todians, it describes its eval- to the bank's manual of also monitors the ability to with a sub-custodian, global as their counterparts from custodians should replace satisfactory operational con- the cash or securities are more likely to turn lot of banks do not have the instead to a globally known balance sheet strength to

including the theoretical col-sense of security. lapse of an entire market. A clients, and sovereign or investment risk, where cli-

Put another way, global tial time bomb." in-house or third-party and parcel of the decision to out what could be comfraud, negligence and wilful misconduct, but will not give equities rather than UK ties; we believe it's better to argue that there has never clients an open-ended blangilts. "We are in the busined of everything you can to been a significant example of

"Unrealistic expectations drawn between custody risk. pointment," says Andrew fying clients against total gation takes place. against which a global custo- Osborne, head of worldwide loss, our balance sheet dian will usually indemnify network management at would never stand it. Com-Northern Trust in London. pare the value of custodians' "If people don't understand ents are very much on their the risks properly, you've billions of dollars under cus- awake at night. The industry

most concern in the sub-cus- who fondly imagine that tify as attractive, and of loss." through its own network of todian world today include their global custodians will mitigating investment-redian.

and to mitigate the effects of

the thought of failure is not shareholder funds with the exactly keeping the market tial time bomb." lators would be worried. with the consequences of the Clients are expected to There has to be a better way quite different calamities of quite different calamities of Barings collapse, but custoinvest in, say, Kazakhstani pletely worthless indemni- dians around the world

the business." ket indemnity against total ness of helping clients oper- prevent the causes of loss. The main risks causing loss of their assets. Clients ate in the markets they iden- and to mitigate the effects of

Safeguards can include sub-custodian failure, repu- guarantee everything must lated operational risk, not of insisting upon full segregatation risk for the global cus- be disabused of that notion. enhancing direct investment tion of client assets on a subtodian, and market risk, and shaken out of any false risk," adds one global custo- custodian's books, from the agent's own assets and those "If we were even to belonging to other clients, of sub-custodian risk have year or so been making a big distinction is normally lead to unnecessary disapattempt to think of indemniand ensuring that this segre-

> custodian risk is a hot topic, started the clock on a poten- tody, and you see why regu- has experienced and lived management controls and failure, we're also concerned cover clients against retain sovereign risk as part of doing things than handing the Maxwell fraud and the generally relaxed air.

sub-custodian failure. This at State Street in London. record, combined with confi- "As well as monitoring the dence in their own network potential for sub-custodian procedures, and early warn- that none of our agents suding systems, explains the denly decides it doesn't want

David Bilbe, senior vice-prestral securities depository

to be a sub-custodian any "There is no room for com- more. And we're constantly placency though," concludes assessing the risk of the cen-



While the matter of sub- Andrew Osborne: unrealistic expectations lead to disappe

NETWORK MANAGEMENT • by Brian Bollen igh standard of selection procedures

Prevention rather than cure is top of the agenda for management of

sub-custodians

One of the most formidable barriers to global custody is the need to build a strong global network of agent banks which are able and willing to act as sub-custodians. As the possible implica-tions of sub-custodian failure the process shows that State Street uses its own estabinclude loss of reputation for loss of clients' assets, the big todian banks elsewhere. Its wash their hands of risk industry operators agree formal policy is to select subthat implementing the high- custodian banks which disest possible standards of play securities processing achieve, with an emphasis to look at what is excluded selection and monitoring is a expertise and the most comcrucial part of the process. prehensive knowledge of the All other things being equal, local companies in emerging believe that if problems arise to meet the same standards

more developed markets. trols and Year 2000/euro entrusted to them. If they in 82 markets around the only enter a new market compliance. entrusted to them. If they in 82 markets around the only enter a new market world," says David Bilbe. In such cases, custodians for a custodian who will. A senior vice-president and vices will be of a consismanaging director at State Street in London. "In each market, we choose the best." research of a market, it also date banks. This visit visits each sub-custodian regional presence, such as that raises questions about. So what goes into the begins the sub-custodian includes meetings with annually. State Street also HSBC or Standard Char whether they should be in selection of a sub-custodian? selection process, which infrastructure agencies such meets with other custody

cure at the top of the Step one is to identify potenagenda. "We look at con- tial candidates, based on trols, procedures and communications," says Mr Bilbe. "We look at minimum standards. We do a credit assessment. We take preventive measures before, during and after appointment to minim-ise the likelihood of serious

A detailed examination of lished custody operations in itself which includes detailed the custodian as well as the the US and UK, and sub-cuslocal market. In common with other cus-

uation and selection process before adding a new bank to the network as rigorous and "We have sub-custodians lengthy, and says that it will tently high standard.

Once it begins active

Plenty is the short answer, could serve as a fairly typi- as the local stock exchange, service providers to broaden with prevention rather than cal blueprint in the industry. the central bank and bro- its knowledge of local mar- Royal Trust Corporation of credit and risk policy input, contacts with market participants and names already in the finalists. Based on potential alternatives. its database. It then estabasessments of relative State Street arranges

lishes communication with possible banks, sending a summary of its request for finalises service arrangeproposal (RFP) to seek preliminary expressions of fee schedule. If the response is positive. step two is to send the RFP operating requirements, informing candidates of the services and service levels trade settlements, income auditing and accounting reputation risk, the financial

that they are expected to includes a questionnaire specifications for communication through Swift (the Society for Worldwide Financial Telecommunications). Step three comprises a pre-

RFP responses and a visit to systems. the market in question to discuss these with the candi-

credit and risk policy depart- vice, quality and fees are Canada, we outsource all our ment prepares evaluations of competitive and to identify sub-custody to third-party credit risks, service levels, for specific circumstances, partnership, supplying them capacity and other factors, it such as significant market ments, documentation and a

Once it makes an appointthe performance of each subbasis, monitoring timeliness (including proxies) tax reclaon reporting. This stage also mation, problem-solving and (where permitted) competiallowing each candidate to tiveness in interest rates on describe its position relative cash accounts. The bank cope with volumes and to handle complex transactions correctly, the quality of the use of technology and liminary evaluation of the telecommunications

> As part of its review, a network administration officer

ket practices, to ensure that In step four, State Street's its own sub-custodian's ser-State Street arranges visits

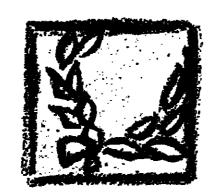
events, the introduction by it of new procedures or noted performance issues. It also requires an annual ment, State Street reviews audit of operations procedures and controls at the becoming increasingly sciencustodian on an ongoing sub-custodians, to be carried tific and customised to each out by an independent and and correct execution of internationally-recognised payments, corporate actions firm. If, during the ongoing review process, a decline in service is noted. State Street risk, asking: do potential may initiate a formal RFP process in the market. staff for the business they Regardless of performance. RFPs are systematically them from and is there a issued every four years.

The approach is mirrored do to make sure that staff elsewhere, with pre-appoint- keep abreast of market pracreporting, and progress in ment, due diligence, and tice, regulations and requirepost-appointment monitor- ments?" ing the recurring themes. Network management is a to an audit, though more dynamic rather than a static process, and stress is placed upon the maintenance and development of relationships with sub-custodians.

providers, and we work with our sub-custodians in close with positive as well as neg-ative feedback. Procedures have been tightened up in dians have paid more attention to third party risk; it's

agent. "We not only look at the risk, and the operational risk. We also look at people sub-custodians have enough do, where do they recruit good stream? What do they

He compares the process good as our worst sub-custodian," he says. "So we need to make sure that every subcustodian is our best."



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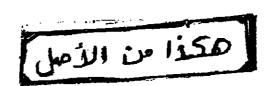


"Thank goodness something's going right."

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PRICE PRESSURES • by Brian Bollen

Seesaw tilts less steeply

There are several reasons

for this development, the

two main driving forces

which has taken place in the

industry in recent times, and

the onward march of tech-

organisations such as Nat-

West, Barclays, Morgan Stanley and J.P. Morgan to

exit custody has reduced the

caused as much by excess

supply as by any other con-

cal mass are changing the

director of the worldwide

agent network at Royal

Trust Corp of Canada.

"Technological progress has

generated significant opera-

tional efficiencies, with

straight through processing.

central depositaries and

massive investments in tech-

nology. The decision of

The pressure on prices has eased significantly and the curve has now being the consolidation

Downward pricing pressure has long been a fact of life in the global custody industry. but a number of institutions claim that this could be sus within the industry is that the handful of providers at the top end of the business have no interest in competition based purely on

Boston-based State Street, which prides itself on being one of the leading global custodians without buying market share, is among those least flattened out, and may even be rebounding.

"The shape of the curve is like a hockey stick," says David Bilbe, senior vice-president and managing director at State Street in London. With assets under custody approaching \$4,000bn at the start of the year, State Street should know what it is taiking about.

Tom Perna, an executive vice-president at Bank of New York, one of the other leading custodians, agrees. saying: "Over the past 12 to pressure ease significantly."

The view is not uncommon, though one must obviously take into account that claims of firmer pricing are emanating mainly from the nology." says Lucille Knapp, of Northern Trust's Eurodominant suppliers.

But even the niche players detect a shift Says David Watson, head of marketing and business development at Lloyds Bank Securities Services: "The balance has not



David Bilbe (left): "the shape of the curve is like a hockey stick"

appreciate that. There's no pressure on price, which was point in beating down the price if you thereby drive down the quality of service." Adding to the effects of "Quicker, more efficient systems combined with criticonsolidation and automation, there is also a sense the very nature of global custody has begun to change. As the value chain extends beyond simple setand into the provision and processing of valuable data on transactions and markets.

book entry transfers replacing paper in many markets. "Global custody was first There is more to come, as oriced when it was quite different," says Mr Bilbe. some markets are much 'We've had the commodisawe're seeing the differentiahave the opportunity to tion between providers. Clienter the capital markets business using state of the ents today are looking at a art technology, so long as range of very complex serthey have no paper-based baggage. Utopia would be vices, and recognise that if they want more, they have same day real-time instantato pay more.

so must the pricing struc-

neous settlement of all "Investors are recognising trades; in the major markets that we take more risk and we're perhaps 75 per cent offer more value today." says Mr Perna, of Bank of "Global custodians and New York. "Pricing needs to adapt to this new environment; our surveys show that clients are happy with the service they receive and the

price they pay." ment division. "I believe that As the client base itself clients accept that our ability to do this and provide more complex and difficult quality service costs money. to satisfy. "They know that The contraction in the industhe seesaw is tilting less try has helped the current if they go for the cheapest steeply towards buyers than client base and future client option they will not accomit was five years ago when base to understand and plish their goals," says one turned away."

custodian. "You're dealing with professional buyers, who all realise that you get what you pay for. If you want additional services, there is a price involved, an explicit price. Value for money is more important than achieving the lowest

price. "I think that if you catch clients at the right moment they'll agree that custody in general is a good service. and that it's inexpensive,' concludes David Batten, director of relationship management at RBS Trust

"There's a certain inequality between custody and fund management charges. which most clients would recognise. I also think pricing is on the way up as attitudes harden on both sides. Clients want to unbundle the cash balances and foreign exchange business that have boosted the overall income from custody. Custodians need to cover their custody fees do not pay their way they have to go up.

"Custodians could take over still more administration for clients, if the clients are prepared to pay reasonhas consolidated, require- able fees, but they are now ments have become much rejecting business that previously they would have are not prepared to pay for the service, they are being

Minnow among the giants

In a global custody world dominated by a small number of huge US banks, the private Swiss bank, Pictet k Cie, is an unlikely contender. But a contender this Geneva-based bank most

certainly is. With some \$80bn under ustody and a reputation for superior customer service, Pictet is a different kind of choice for institutional clients who want something other than the cookie-cutter approach of the big custodians. With its strategy of selective client targeting where Pictet feels it can add real value. including in recent years, emerging markets custody and servicing high networth individuals, Pictet has made a name for itself both inside and outside

Switzerland. Pictet's trajectory to custody success is unlikely, to say the least. Founded in 1805, Pictet built its banking business by investing noney wisely and profitably for a range of international clients. From the outset, Pictet provided safe custody for non-domestic securities such as Dutch and US bonds.

But Pictet's latter day global custody busine received a jump-start in 1974 with the passage in the US of the Employee Security Act (Erisa), which things, that US pension funds employ third-party custodians to safe-keep

"We'd been doing custody all along," explains head of global custody services Richard Humes, of Pictet, 'as part of our asset manent business, which is the main business of the bank. And because we were market), that obviously included providing global custody when we invested internationally for our

By necessity then, Pictet was providing multi-currency reporting to its clients before global custody was even understood as a separate business line. After the passage of

Brisa, the Pittsburgh-ba US bank, Mellon Trust, searched for a partner bank that would be able to provide global custody for a group of its pension fund clients that were beginning to invest overseas. Pictet and Mellon formed a joint venture in Which Pictet undertook to provide multicurrency reporting and ents. "It opened our eyes here," says Mr Humes. "We realised that if we can do it for Mellon we can do it for others." Pictet did not pursue further business in the US, but concentrated on spreading the global custody message in Switzerland, the rest of Europe and in Asia.

It took a while for the concept to catch on, since Europe comparable to Erisa. However, the prudence of third party custody has since become a "Our first European pension client was Nestlé in 1985 and we've grown from there," says Mr

"In Europe, a more persuasive selling point for us has been the ability to solve individual reporting requirements. For smaller or medium-sized institutions [banks, pension funds and asset managers] that cannot afford the costs of maintaining a back-office operation, the ability to outsource custody and other important services such as performance reporting, tax reclamation and accounting can offer huge savings," explains Mr

Pictet itself is a substantial asset manager in the Swiss market Almost \$55bn of the assets it has under custody are also invested by the bank. This intimate knowledge of the needs of fund managers translates into bolt-on busi-



Richard Humes: 'joint vanture opened our eyes

ness opportunities for the bank's custody operations. Sometimes we find ourselves providing analytical tools that are outside the normal remit of custody," says Mr Humes. "We want to be a one-stop shop for clients that fits our niche profile. We can set up trust structures and offer tax advice because we already offer these services in our asset management busi-

Systems – and the ability to tailor reporting and compliance in line with the needs of each client's fiscal and regulatory environment – is an advantage that few large custodians can provide. They are able to keep their fees low by providing a fairly standard service and then offering the same product to all comers. A more bespoke service costs a bit more, but for ome clients it is necessary. It is these kind of clients

that Pictet attracts. Though Pictet's link with Mellon Bank ended in 1992. when Mellon decided to build its own global cuschased Boston Safe Deposit and Trust, Pictet continues to see a portion of its future growth coming from strate gic alliances. "In Australia we have no banking presence, but we do provide global custody for the clients of Permanent Trustee a statutory trustee, there, says Judith Webster, a vice-president at Pictet. It is a strategy that the bank will continue to pursue in selected markets.

For many clients the bottom line is very simple. Choosing Pictet means choosing a triple-A rated Swiss bank, with almost 200 years of experience in asset management and cus-

Margaret Morris

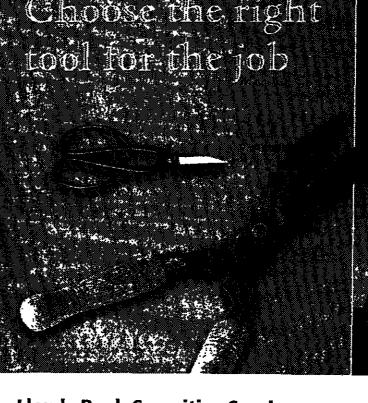
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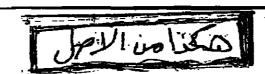
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Challenge of le weekend looms

Custodians have has two years in which to efforts by the Bank of agreed on a Big redenomination of currency

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It is unprecedented. Never before have global custodians agreed on anything. And the industry has set an infordate for test batches.

haver before have the mal deadline of September For very large v world's leading practitioners 30 for issuers to announce sat down at a table, ready to plans to redenominate over challenges of a lifetime.

The Global Custodian Emu Forum includes all the world's largest custodians, with some 97 per cent of all cross-border assets between them. The purpose of the group is to make sure that clients, suppliers and counterparties understand the impact of Emu and that the transition is managed properly.

The group has supported the Big Bang approach in and we need to know the which the foreign exchange markets, money markets, the leading stock markets and most sovereign debt converts into the euro over the New Year weekend. James Bowes, Emu programme manager at Royal Trust Corp of Canada's global securities services and spokesman for the Global Custodian Forum, says: "We have supported all the efforts of the central securities depositaries, stock That's a challenge to custoexchanges and governments dians that previously had 11 to push through a Big Bang. separate cash accounts for Global custodians have a special role to play in this transition. As an industry, it has been very important that we have agreed on one Most custodians have been way to approach 'le weekend"

Even though the concept of Big Bang is widely accepted, many issues around the process still need to be worked out. Top of the list is knowing which issues will redenominate. Euroclear estimates that 20,000 to 25,000 specific instruments will redenominate. Pierre be more specific because we

simply don't know." most sovereign bonds will. redenominate, big unknowns surround supranational and corporate bonds. There is no committeen for any institument to redenominate over the New Year weekend; the

make the transition.

before redenominating. But idea to use the August 31 late entries and systems will be configured to make the switch even if an issuer announces plans to reden-

ominate in December. Beyond knowing whether a given instrument is redenominating, custodians need to know the method used in the process. "The redenomisame across all instruments algorithm to properly program our systems," says

Euroclear's Mr Slechten. Tracing cash across the settlement system will also pose a problem. Sean Quinn, global custody product manager at Citibank, predicts: "Many fund managers are setting up Emu-wide cash accounts, so it may be that they expect cash to sweep into that account from start of business on January 4. that customer."

Looming largest on the horizon at the moment is the thorny problem of testing. working on Emu projects for years - reconfiguring systems and developing new procedures. But all this change needs to be tested. For some time, a full-dress industry-wide test was mooted, according to Royal Trust's Mr Bowes, The idea of a dynamic test has been quashed as unworkable in the time available.

sition on a stand-alone basis and then deliver the results to counterparties. This static test will allow all market perticipants to test systems and procedures using real data. Both Mr Slechten and

England, which even though For issuers, redenomina- it is not directly involved in Bang approach to tion can be a difficult process, both expensive and ties because the UK is not time-consuming, so it is no part of Emu, has taken a surprise that some issuers leadership role in the proviwill simply wait until the slon of information on the next coupon date on a bond transition. It was the Bank's

For very large volume relationships, such as the tackle one of the biggest the transition weekend. Of Cedel and with DCS, the course, all market partici- German depository, more pants expect to receive some dynamic tests are likely to occur. "Failures at this level would have a huge ripple effect," says Mr Slechten. "We won't let that happen."

Of course, testing does not end there. "We're working to

pitch testing at the right level," explains Sue Brittan, senior business analyst at Mellon Bank. "What is now nation algorithm is not the being discussed is how to manage the testing of a core portfolio of data between participants and then comparing results." Another global custodian explains: "Some clients, particularly those in Europe, are well advanced in their internal system work and testing and want to have a more complete test of what is actually going to happen. But for others, particularly from simple securities move- and quality of timely inforthose in the US or Asia, Emu is not as important and we are working closely with these clients and hope to do testing with them later in the year."

Some clients are way ahead in terms of preparations, explains Mr Quinn. tion, standardisation and for- database and value assets next year. Institutions with warning, via the internet, will inevitably emerge as "Broker/dealers are way matting to help institutions daily. We can report to cli- expertise in this area will when a guideline has been markets open up." ahead of the game," he says. "And European fund managers are naturally ahead of UK-based fund managers. In the UK, some managers don't think it will affect them that much and they are in for a few surprises." In the run up to le week-

end, global custodians are addressing the human resources issues. "We have a special policy regarding Slechten, managing director Instead, a different vacations from September, of Euroclear, says: "We can't approach will be taken, because we will be increas-Using the data sets available ing the frequency of reconfor August 31, most custodi- ciliations and having a num-Though the Emu-11 gov- ans and other market partic- ber of in-house dry runs," of product management in London at Royal Trust Corp of Canada's global securities services division. "And we are making arrangements for staff to stay in town over

FUTURE OF CUSTODIANS • by Brian Bollen

Something more than plain vanilla

The custodian's role is becoming broader as clients step up their demands

The rise of technology and the increasing sophistication of the client base have transformed the world of global custody and reshaped its future.

This is apparent first at the operational level, where state of the art systems are optimising liquidity and accelerating settlement, and second, at the service level, where the nature of the product is changing as, for example, dematerialisation spreads.

"The role of the custodian is becoming far broader," says Ruth Parsons, chief administration officer at ied range of services which Citibank Global Asset Man- in effect will lead to a virtual agement in London. "Banks might be using their vaults less and less for physical safekeeping, but clients tions actually want only core demand more and more."

State Street's David Bilbe agrees that clients are always pushing for more and that custodians are moving in a very different direction but even then the amount ment and control.

for a range of very complex than plain vanilla core cusservices," he says, "Custodians are being asked to

gate risk.

participants must improve continuously to maintain their relative positions. As for the future, no-one can predict exact requirements, but in a classic virtuous circle, the more time that banks spend analysing their clients' requirements and developing new technologies, the more tailor-made solutions they are likely to produce for individual prob-

According to Lucille Knapp, of European business development at Northern Trust, clients can look forward to an increasingly varredefinition of the global custody offering.
"Relatively few organisa-

custody these days," notes Ms Knapp. "There will always be some in each client category who want what they see as the basic service. mation that they need "Clients today are looking makes it something more Europe, risk and perfortody."

want and progress along the Custodians also provide value added continuum from compliance information, to there. Some clients want to help monitor activity and see everything every day. flag any breach before a Others might just want a trade settles."

Others might just want a two-line summary of their As in any other industry, holdings once a quarter or twice a year.

"We hold 400,000 different asset types from around the globe and across the markets. Automation enables us to provide a vastly superior tailored service that would have been impossible even a short while ago.

"Who wants the extras? That depends entirely on what the investors feel comfortable doing. A small pen-sion fund with a few pensioners will inevitably be less demanding than a massive pension fund that is more involved in the day-to-day running lios and consolidations, to and demands lots of informa-

"Take securities lending, for example. For some investors it's not appropriate, for others it's an integral part of their day-to-day routine. The needs depend on the structure of the client organisation itself, its sophistication and the amount of resources it has committed.".

As investment regulations are relaxed in continental mance measurement is one sure. area widely tipped to be of Sophistication starts to increasing importance, with for routine and daily scan-



Lucille Knapp: forecasts a redefinition of global custody

enjoy a competitive advan- exceeded, explaining why Northern Trust boasts a

battery of branded services to help with, inter alia, risk analysis, risk strategy and risk management. This product suite enables clients to monitor asset allocation, investment style, risk and returns for individual portfocompare investment results against peer groups.

At the enhanced level, clients can order country, sec- a thirst for information. As tor and security analysis, mergers and acquisitions and attribution reports. With its alerts service, Northern Trust is offering what it describes as the industry's first automated online risk exposure and compliance monitoring tool, delivering more control over, and around the world. understanding of, an investment programme's risk expo-

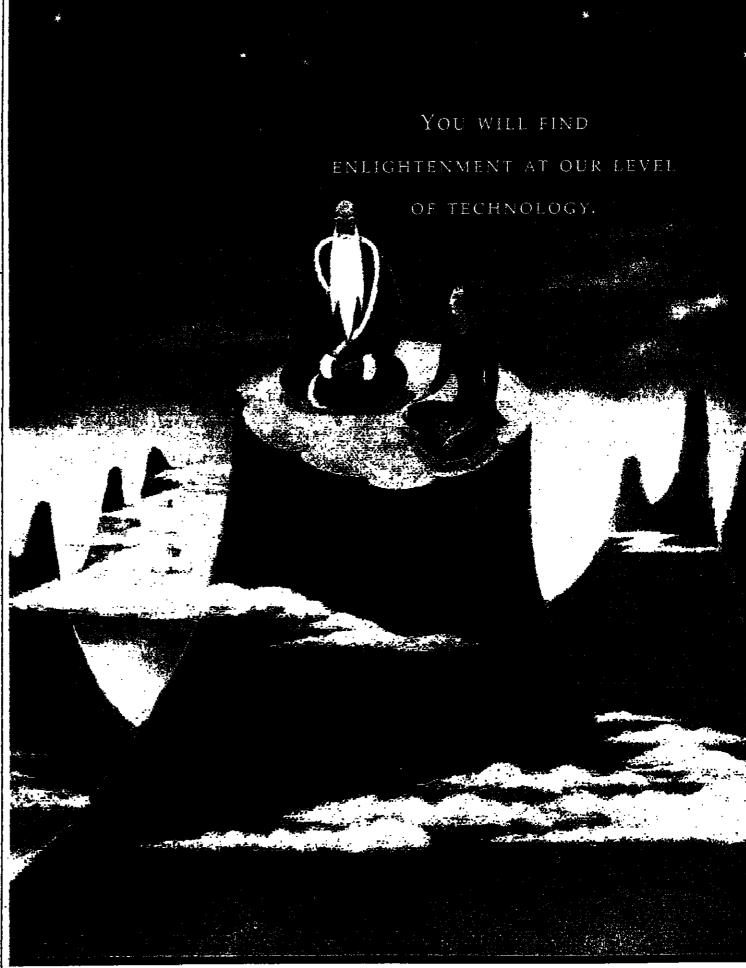
This eliminates the need

this occurred.

Clients can easily monitor centage of total trust assets. derivative securities, leverage situations, specific countries and regions, specific asset classes and many other situations.

"We have built these products after listening to our clients." says Ms Knapp. "Out of regulation, consolidation and sophistication has come continue in industry sectors tional companies will find they have assets everywhere. We see a drive for different, better solutions for managing pension funds

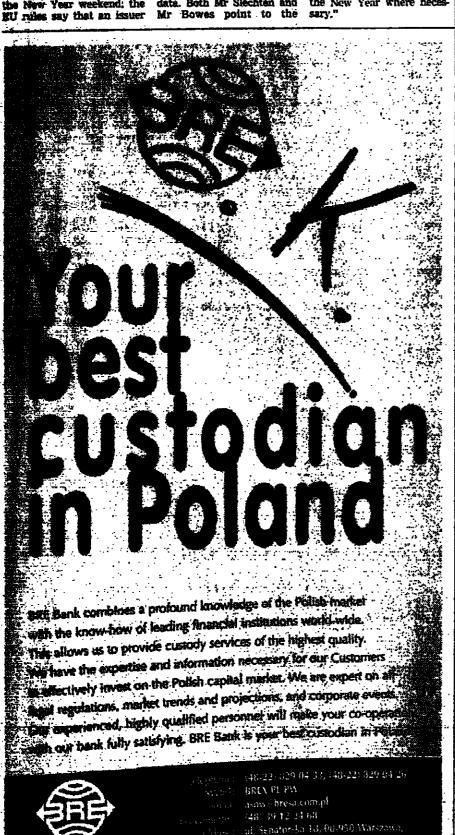
"We also see a need for increased flexibility if there's a continued reduction in the number of custo dians, and if we're to conassume a more central role mount, it appears, with interest now focusing on ning of asset lists and trans- tinue to serve the wide range in information management, reporting. "We take data in how well institutions handle action statements. It can of clients out there, not to data collation and manipula- on trades, store it on our the introduction of the euro deliver an exception-based mention new clients who



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CORPORATE GOVERNANCE • by Jane Martinson

Vote for greater efficiency

UK institutions have become increasingly keen on corporate governance

Institutional investors have a catalogue of bungled voting instructions and of voting deadlines being missed which have caused increasing concern, particularly in the UK. The fear is that global custodians and registrars are failing to cope with the increasing demand among investors to use their

Peter Butler, corporate focus director for Hermes, one of the largest pension fund managers in the UK with more than \$32bn in assets, echoes other managers when he says. "The system is not working very well at the moment. What's happening in this country is that there is a greater concentration on voting which has highlighted problems."

UK institutions have become increasingly keen to register their votes in recent years. Their interest in corlargely prompted by the threat of government intervention and from strictures from bodies such as the Hampel committee and, in the future, the London Stock Exchange.

The pressure to become more active, however, has come up against failings in a system which is still largely paper based. One fund manager who refused to be named said: "A lot of custodians have probably been taken by surprise by the rapid increase in demand."

The UK system allows three weeks between information on annual meetings

company to the deadline for voting. In between those two dates the annual reports containing the information is typically sent to the registrar and then to the custodian before arriving at the investment house.

Michelle Edkins, corporate governance executive at Hermes, said: "It's very difficult the peak of the season, it's a nightmare."

Between March and June this year, when most annual reports are published in the UK. Hermes noticed several cases of missing or inaccu- dian firms have admitted rate voting.

But the only way of knowing what had happened to its votes was to phone the company and check. As it typically does this only to explain why it votes against a particular motion - a rare event for Hermes as for most fund managers - the fund

It has called for all companies in which it invests to check the registrar for its vote on every occasion.

Mr Butler believes this labour-intensive method would be unnecessary if the UK adopted more electronicbased voting. "Nobody knows how large this problem is, but everybody is a bit unhappy about it. The only solution is to move to electronic voting.'

Supporters of such voting point out that US investors, who are forced by pension fund legislation to vote, do not suffer the same delays and hiccups as their counterparts elsewhere

Sarah Wilson, at Manifest, a voting services company, suggests that many fund managers are crying wolf when they complain about and its agenda leaving the the delays. She says the com-



and very cumbersome and at Peter Butler: the system is not working very well

management clients, can make sure that they vote. In spite of this, several executives at global custoprivately that the issue is one that the industry has

still to tackle. One senior executive at a US group said that custodians were far more likely to focus on making sure investors voted on important corporate actions such as rights issues, not least because failmanager became worried ure to do so could lead to asked again and again as about the potential extent of compensation. "There are custodians become larger many custodians who have paid out quite a lot because of failing corporate actions, he said. "Corporate governance actions are usually

just an apology. It is also the case that fund managers are far more likely to put more effort into getting information about such financial actions than they do about receiving everyday voting matters.

This relative lack of importance has meant that investment has not been directed at improving data flows and voting systems. "This has not really been given a top priority [by custodians] so not that much resource is applied to it generally," said Ms Edkins.

Clive Gande, managing director at Bank of New York, one of the world's largest custodians, says, "This is few in the industry are fac-increasingly becoming a pri-ing just yet."

pany, which has 12 fund ority as pension funds in particular want to exercise their corporate governance [rights1]

Clients also worry that improvements in the system to enhance their voting records would lead to demands for higher fees. It remains to be seen whether institutions take their corpo rate governance responsibilities so seriously that they are prepared to pay above the odds for them.

These questions will be and take on more tasks.

The problems in the UK serve to highlight difficulties of registering votes elsewhere, in Japan, where tradition dictates the publication of most annual reports at roughly the same time, the system can reach overload very quickly.

"With some of the international investments, it's difficult to get past the starting blocks," said one corporate governance activist. With international invest-

ing set to increase as penits strategic plans for the sion funds continue to expand and diversify this issue is unlikely to go away. As one corporate governance expert pointed out: "In Spain investors sometimes do not receive the annual reports until the day of the meeting. That's a headache I'm sure

RBS Trust Bank

Left-luggage trade no more

Many of the fund management and banking couses for which custody was historically a core business bave been deterred by the low fees clients are prepared to pay for basic safe-keeping of securities. Another deterrent is the enormous commitment required to provide the echnology and staff which higher value services

Barclays Bank sold its custody business to Morgan Stanley less than two years ago, but it passed the parcel to Chase Manhattan within a month of integrating the last assets into its system: Société Générale and Mercury Asset Manage have outsourced their entire back offices.

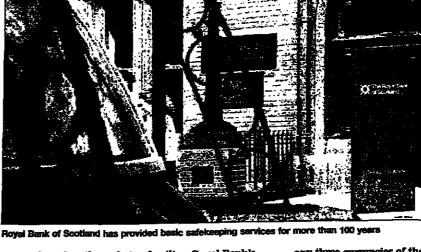
offering custody services Schroders no longer antomatically acts as custodian for all the asset it manages. Bank of Scotland's trustee busines is now owned by State Street, Even Morgan Guarantee decided to sell ts custody business to Citibank.

The past 18 months have seen a sharp contraction in the number of global castodians to the point where it is convenient to talk of the "Big Five" in the same way as one does of the international accounting firms. But not everyone is prepared to leave the field exclusively to them. In the UK, the contrary approach has been adopted by Royal Bank of Scotland which eagerly picked up the custody operations of S.G. Warburg when Swiss Bank

Corporation decided they

did not fit comfortably into

nerchant bank. As a traditional clearing bank Roval Bank of Scotland had provided basic safekeeping services for nore than 100 years. Over the past 25 years, however, the demand has been growing for a much wider



range of services than what David Batten, director of relationship management at the newly-formed RBS Trust Bank, calls "a left-luggage operation". He concedes that "the US banks made the running when they arrived in the 1970s and began offering such add-on services as

accounting. But it was when Mr Maxwell died that people really began to be anxious about the safety of their assets and the British merchant banks were able to offer technology-based services which tied in with their asset manag pension funds in particular."

Technology is what Warburgs has brought to the RBS Trust Bank mix. Royal Bank itself provided two-thirds of the assets under custody, with Warburgs contributing just a third. But the Warburgs clients were of a different order being mostly either pension funds or other fund magers with a need for a

wide range of administrative services and immediate information. They were reassured that their needs would continue to be met on systems with which they were already

familiar. Royal Bank's clients saw themselves as gaining extra services but provided by the same bank whose integrity and commitment to custody was

unquestionable. Combining both businesses created a company with £280bn under custody, making it the second-largest UK-base custodian (Midland Bank holds the top position with £400bn.) Moreover its strongest market position is among pension funds; it looks after the assets of 1,600 UK pension funds, including half of those whose parent companies

are quoted on the FTSE 100. Mr Batten, however, likes to emphasise the range of services RBS Trust Bank offers by referring to its unit trust clients which have specific needs for daily fund accounting. registration and dealing by unit holders and unit

The backgrounds of the two businesses also allow the new trust bank to sidestep two of the big sues which have deterred others from carrying out custody themselves. "We already report every transaction in as many as

any three currencies of the client's choosing," says Mr Batten. "So next year's arrival of the euro holds no fears. And, touch wood, we haven't come across a Year 2000 hitch yet."

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It is perhaps too soon to say whether RBS Trust Bank will bed down as a successful and permanent competitor in the market. Full integration of the two ses will not be complete until the early autumn. But the two cultures seem to be rubbing along tolerably - always a difficult matter in the financial services sector where egos are so powerful Mr Batten wryly notes that some mergers have not proved entirely happy. mainly as a result of culture and personality clashes. "But we were able to get everyone to agree what role they were going to do."

And, it seems, to share out the top positions to everyone's satisfaction. John Trueman, chairman, for instance, is a Warburg man. But the managing director, Gordon Lindsay, comes from Royal Bank's

Christine Moir

SECURITIES LENDING • by David Cowan

Lessons learnt from the Maxwell saga

Custodians have drawn back fund managers by playing an

intermediary role Custodians have played a pivotal role since the Maxwell saga in boosting securities lending volumes by offering programmes putting the custodian between the lender and borrower.

Securities lending is a low margin business and there is a risk/reward equation to consider, which combined with the Mirror Group pension fund's "creative" use of securities lending has made fund managers and trustees more cautious.

John Piccitto, director of group administration at Merrill Lynch, says: "What's happened is that fund managers, rather than doing it themselves, tend to give a lot of their securities lending business to their custodians, leaving custodians to vet and arrange acceptance of

of the Maxwell alfair When the role of securities

lending in the Maxwell situation was publicised many fund managers withdrew their collateral from the business, but by playing an intermediary role based on existing relationships, custodians have successfully drawn them back along with new entrants.

dians is that they could say to fund managers 'We'll do this for you, you can trust us, we've been working together for a long time.' What followed was that custodians saw they could control the process and persuade fund managers in because of the growth in the pool of available securities." The Maxwell saga meant heightened attention was paid to the risks inherent in securities lending, namely default by the borrower and the use to which the collateral is put. These are now addressed by regular credit reviews of borrowers and

is are fully collateralised. Fund managers have become more cautious in their lending programmes and are playing an active role in defining the dos and don'ts of lending.

This growing sophistication by both custodians and fund managers has demonstrated to potential new entrants the value of joining Mr Piccitto explains: securities lending pro-"What this meant for custogrammes. One such new entrant has been the Universities Superannuation Scheme (USS), which joined Chase Manhattan's discretionary global securities lending programme in May this year. The USS fund has membership of 138,000, and is the principal superannuaand senior administrators in British universities and educational institutions.

Colin Hunter, chief accountant at USS, explains the rationale for using securities lending: "We shied away from securities lending a while back, but decided to borrowers. All this came out tracking to ensure that all revisit the idea. USS is keen

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GLOBAL CUSTODY

to ensure that revenue opportunities are exploited within the constraints of risk mitigation, and we saw that while risk exists in securities lending there are considerable revenues. The focus of the pro-

gramme is risk mitigation, whereby all loans are precollateralised so that no stock is released to a borrower until the custodian receives collateral in excess of the value of the loaned stock. If the stock loaned increases to a value greater than the collateral held for the USS account then further collateral must be provided. The custodian indemin excess of £17bn covering a nifies USS if insufficient provide full service procollateral is held in the event of default. The custotion scheme for academic dian assesses the credit woronly lends to those on its approved borrowers lists. The banks used to hold collateral by way of cash deposits and letters of credit must have an acceptable credit rating and approval by USS. Mr Hunter explains: "The

main constraints we placed

on our custodian they only use non-UK collateral, because the income is not significant, and that we wanted the programme to be transparent to the investment manager, so if the investment manager wants to sell a security or vote then it's up to Chase to get it back. The investment man-

The industry standard for collateralisation of international deals is now a minimum of 105 per cent, compared with an average range of 100 per cent to 103 per cent a few years back. The steps taken by custodians to grammes combined with attractive standardised collateralisation minimum makes thiness of all borrowers and for an attractive husiness case. To further secure the business, the London Investment Bankers Association (Liba) has been working grammes and the scale of with the International Securities Lending Association (isla) to consolidate the agreements covering securi-

ties lending transactions.

working for a standard dealers, banks, institutions and fund managers to sign one contract with one counterparty, rather than having all these different agreements for different types of business. I think this will be achieved some ager shouldn't be contime next year.

> at State Street, says: "The trend we're now seeing is that there is a more sophisticated view of the role of securities lending programmes, using more sophisticated tools in mitigating and quantifying risks. This is a happier situation than a few years ago when these es were not addressed." Mr Ash adds: "The last four years in particular has seen a very strong growth in securities lending, both in terms of clients joining pro-

Robert Ash, vice-president

assets on loan in the market.

The reasons for this have

been a wider recognition of



Jamie Bell (left): 'benchmarks can be very problematic.' Robert Ash (right): securities lending has grown very strongly

tinuing growth in borrower demand, in terms of new markets coming on stream and new products such as derivatives.

To show off their newfound maturity, securities lending providers are now offering benchmarks for customers to measure performance, with State Street and Securities Finance International (SFI) coming to the fore. The idea being that in order to manage risk you the role of securities lending have to be able to measure programmes and the con- it, but that may be easier

Jamie Ball, head of international securities lending at Mellon Trust, says: "Benchmarks can be very problematic. Owners of secu-

rities set different reinvestment guidelines, and it is difficult to make comparisons. Some may have a riskier profile while others may have a simple overnight lowrisk profile. How do you compare across this range of profiles? It's a great idea in theory, but in practice it has

INVESTORS

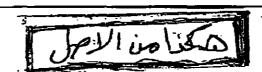
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SOLUTIONS FOR INVESTORS AND ISSUERS WORLDWIDE?

TRANSFER AGENCY SERVICES



Cloud with a silver lining

Amid the pain caused by the turmoil has been closer attention to investor issues

has been a cloud with a siltodian industry.

The downside, as stock markets across the region of investor issues have been have halved, has been immediate and painful: slashed fees and a rapid fall in and security of investments, investment flows from the and soundness of local sub-battered Asian countries, custodian details. giving less business on the

But on the plus side it has brought - or is in the process of bringing - consolidation to the industry, as to many others. Banks are carefully reviewing the areas they want to be in, and for some that will mean exiting global custodian services.

"The effect of the crisis

has been to hugely diminish the value of the holdings attractions of Asia as a home

director global investor ser- Asia-Pacific network manvices Asia-Pacific at Chase Manhattan Bank,

"But it may be that a number of banks providing custo-dian services will diminish because as banks begin to focus their activities people The Asian financial crisis without commitment or a has been a cloud with a sil-ver lining for the global cus-it's a business they don't want to specialise in."

Within this flux, a number put up for closer scrutiny settlement processes, safety

Safety of physical share India nor, critically, Indonesia have fully paperless trading - so when images of fire-bombed shops and banks in Jakarta were beamed around the world last May. institutional investors reached for the telephone.

"The big concern when Indonesia flared up was that there was so much paper that foreign investors have involved in the process, that in Asia, and to diminish the when that situation happens Michael Hamar, managing Giles Elliott, vice-president to execute quick sales.

tan Rank

"Are records of the regisbacked up if the office is on India's legions of retail fire? It raises a lot of impormarket integrity and security under these sorts of physical certificates. systems."

Indonesia's long-mooted plans to establish a depository is likely to be further is a tentative target of 100 by delayed by the turmoil. But the year end; but critical in India, the move to paper- mass is unlikely to be less trading is largely on achieved much before the track, to the huge relief of new millennium, bankers custodians and their clients.

Previously, changing title certificates has also been an on certificates was a lengthy area of concern. Neither and "highly problematic" task, says Mr Elliott - applications to be re-registered could be rejected for many reasons, such as discrepancies in signature. He reckons "just about

every foreign investor probably suffers from an ongoing percentage of purchases which are technically under objection or registration". In the meantime, dividends tody, \$1000n is estimated to went to the previous rest in Asia excluding Japan. you have to be wary about (named) owner and the Hong Kong, the regional for new investments," says the security of vaults," says actual owners were unable to some \$65bn of that.

That is changing. Instituagement at Chase Manhat- tions have been demateri- partly a reflection of the lack alising as much as possible, of national retirement although the overall move schemes. In Hong Kong, a ter suitably protected and has been held back by mandatory pension fund is investors who, for reasons tant questions about the perhaps sentimental, are kets, similar plans have been wary of relinquishing their put on ice.

On August 10, up to 50 stocks will have been moved Asian markets is likely to be to paperless trading. There

Elsewhere around the region, the Philippines "After that period the cur-recently moved to a deposi- rent turmoil will make Asia tory system and Pakistan is working towards shifting all its securities into a similar system. In Japan, the probcated." lem is less one of inefficiency than a shrinking mar-

realise they can no longer ket and price wars among the sub-custodians. stock markets to provide them with the annual Asia as a whole remains a returns of 15 to 20 per cent small market. Out of the US\$4,400bn under global custo which they had become rest in Asia excluding Japan. financial centre, lays claim

PROFILE *

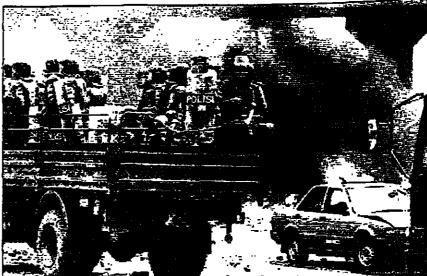
"Where are people going to ent markets, are likely to see out, their costs will have find the money to invest in the biggest impact from the receded in US dollar terms,

The size of the market is expected to become operational in 2000; in other mar-

In the wake of the crisis. any progress in galvanising pushed back. "I think the turmoil will initially give the global custody and investment management industries a two to three-year setback," says KK Tse, senior vice-president and managing director at State Street.

much leaner and stronger and by that time people would also be more sophisti-

This is partly as investors count on their domestic accustomed, and look ans, the network of agents instead to diversify their



Asian crisis.

anything when the majority of the middle class has been wiped out as a result of this turmoil? It really will take three to five years for us to see reasonable development of the mutual fund market,"

says Mr Tse. For global custodians, the delays can be weathered other markets. Sub-custodiwho manage assets for the global custodians in differ-

more reliant on the Asian market, they will have seen thanks to robust activity in assets under management slashed and as a result, their fee income from that management will have been cut. However, as Mr Tse points

The Asian market is domi-

nated by Standard Chartered

Thus for them, too, the Equitor and HSBC Security Services - the so-called "regional" custodians - and supplemented by a bost of banks branches. Being

currencies.

seemingly gloomy picture is not uniformly bleak, particu-larly for the better known names. Or, as Mr Hamar is that while the shock is imposing some strains and challenges, there is a silver lining as people will look more closely at where they make their allocations. We benefit from flight to qual-

as staff and rents are largely

paid in local (depreciated)

india • by Krishna Guha

Enter the electronic age

The shift to paperless trading represents serious management challenge

India's custodial services industry faces radical change this year, as the migration from paper share certificates to new electronic systems gathers pace.

pressure on margins at a time when business is depressed by a withdrawal of India's nuclear tests and the imposition of economic sanc-

it also represents a serious management challenge, with the need for a fundamental re-organisation and investment in new systems. But cates are challenged. bankers say the advent of electronic systems will also

late last year, when the Securities and Exchange Board of India ordered institutional investors to sell shares in eight leading companies in electronic form forged shares." only. This forced them to begin the process of converting these shareholdings to electronic form in earnest.

expanded the list of stocks. will expand further to 50 stocks by August 10." says Chandroshekar Bhave, managing director of the National Securities Deposi-

have now converted sharerecord, and this process is gathering pace. Initial fears of a lack of liquidity in the electronic

market - which has not

physical market too.

ingly enthusiastic about pap- in paper form. erless shares, which offer lower portfolio management certificates.

In principle, the shift to electronic record also makes services. life easier for India's custodipletely disappear," says Mr over faulty stock."

dividend payments - often which reach the held in abeyance while the on different days. legitimacy of share certifi-

But as far as custodians

ANZ custodial services. "Physical settlement offered big margins - there were a lot of risks, a lot of processing work and a lot of fake or

He says custody fees have fallen from about 30 or 40 basis points a year to about 8 to 10 basis points for portrecord. Industry experts say paperless environment." "The original eight stocks this is an intermediary floor - and fees will drop again once the shift to electronic

However, while there is strong downward pressure on fees, costs are going up. Custodian banks have been Mr Bhave says institutions forced to write off investments in paper processing holdings worth Rs350bn and plough money into new from paper to electronic systems for electronic record - including remote terminals linking them to the National Securities Depositary via satellite. At the same time they still have to maintain parallel taken off as hoped - were

shares is complete.

calmed by a recent Sebi systems to deal with paper

order that electronic shares shares. The move to elec- business from foreign invescount as good delivery in the tronic record is only begin- tors - clients with large investors are now increas- market capitalisation is still

Managing this hybrid syscosts, exemption from stamp you have to manage two duty, smoother delivery and operating systems side by security from forged share side," says Arjun Bambawale, general manager at Hongkong Bank custodial

The existence of two types The shift to electronic ans. "Custodian banks will of shares also creates comrecords is putting severe see a lot of paperwork complications with delivery. Paper shares are settled on Bhave. "They used to carry the basis of a fixed settleon endless correspondence ment period, electronic foreign investment following with registrars and brokers shares on rolling settlement. India could offer custodial He says the absence of gle block of shares may faulty stock will also make it receive some in paper and easier to track and collect some in electronic shares which reach the custodian

To make matters worse. foreign investors seeking to buy Indian equities no lonare concerned the gradual ger have to park their funds open new opportunities for demise of the great Indian with their custodians for a for retail accounts." This value added services that paperchase means the end of long period (typically a two will take time, though, as could prove the salvation of a highly lucrative business. week interest free loan) -"Margins are being worsening the custodians'

> i цоw. Managers are also grappling with the question of what to do with the armies of clerical staff employed to chase paper when the move to electronic record is com-

"The number of people required in a paper environment is much larger than Since then. Sebi has folios held in electronic the number required in a says Mr Bambawale. "You also have some form of a shift in the skills of the people you use - with more focus on information technology." Restructuring,

though, is difficult in a coun-

try with strict labour laws

and strong banking unions.

However, while the transition to paperless shares promises to be tough for India's custodians, it holds the promise of new opportunities. One of these is a lucrative business serving local clients. Most international banks have traditionally fought for

ning - as 93 per cent of the chunks of money to invest and prepared to pay high fees for good service.

But as fees come down and tem is difficult. "Effectively managing electronic accounts becomes easier, high volume local business looks increasingly attractive. "Only about 8 per cent of market capitalisation is held by foreign institutional investors," says the ANZ banker, "Domestic institutions and companies hold

almost 35 per cent." He says banks with strong corporate relationships in An institution buying a sin- services to their clients. Electronic record also makes it economical to court private investors - who can then secure personal loans on their portfolio.

"We see big opportunities on the retail side," he says. "With a large branch network there is huge potential private investors are still reluctant to surrender their

Electronic records also open the door to new value added services - such as stock lending. "In the electronic environment it is easy to lend and get back stocks. says Mr Bambawale "in physical form it would take a very long time." Moreover.

the risk of fraud was too

India's custodian banks would not lend shares themselves - the shares are held in the name of their clients not in trust - but could profit from services: collateral management, risk management and margin management Bankers hope that in time revenues from value-added services will make up for

falling custody fees. This will never be as easy as collecting good money for pushing paper. But long term, the shift from managing inefficiency to creating value can only put the industry's prospects on a sounder footing.

Chase Manhattan

Home-grown expansion

Nothing shows the concentration of power in the global custody business like the growth in assets under custody by the top ranked global custodian -Chase Manhattan Bank.

Last September's annual league table by *Institutional* Investor magazine placed Chase top of the 25 global contestors, with funds under custody of \$1,288bn.

But those figures were for the year ended 1996. A year later the figure had jumped to \$4,452ba before taking into account the further \$400bn of assets brought in with the acquisition of Morgan Stanley Trust Company and Morgan

Stanley Bank Luxembourg. Chase modestly chooses to understate the total as \$4,700bn. It is irritated only when non-US competitors try to belittle the global nature of this achievement They say that few US custodians have made much adway other than with American clients. Chase is

proud of the fact that it can lay claim to \$1.800bn of cross-border assets, nearly 1bn of which are from European or Asian clients, rather than native Americans. Jeremy Jewitt, the senior

esponsible for Global Investor Services in Europe. the Middle East and Africa, s "willing to bet that we have more business originating outside the HS than any of the other Big Four". He also sees "indigenous European businesses offering us the greatest opportunity for

vice-president for Chase

Mr Jewitt's other main concern is to differentiate Chase's style and stategy from those of the other remier league competitors All of them have long since transcended pure safe keeping and dividend



Jeremy Jewett: sees big opportunites in Europe

collection to encompass just about every form of management accounting and administration

associated with fund Not only do they claim to be able to run the entire back office for an investment house, some have invented the term "middle office" to cover the newer services they offer, such as daily or even hourly portfolio valuation and risk essment to monitor how

internal restraints. Of the main competitors, Mr Jewitt concedes Citibank may be present in more foreign locations "but that is purely as a bank. We have a broader range of fund servicing capabilities in more jurisdictions than

closely portfolios meet

regulatory or voluntary

anyone else." These include management accounting: valuation and/or pricing to meet client's timing: shareholder/unitholder record keeping; portfolio analytics to monitor performance: and

compliance reporting to regulators. These services are offered in any relevant

currency, including the euro. All the se lorms keeping are available to Chase's institutional clients, but from next spring there will also be a retail transfer and agency service, allowing accurate records of cash owed to/from shareholders or unitholders on sales or purchases.

A further new development is what Chase calls "consolidatory reporting". This is a service tailored for multinational fund management groups who need consolidated accounts and must compl with regulations and fiscal and other legal requirements in different jurisdictions.

At present it is limited to a few clients of unusual size and complexity, but there are plans to broaden its suitability.

However, Portfolio analytics is the service in which Chase feels it shows a clean pair of beels to its

rivals. Analysing portfolios as a preliminary to assessing performance is still widely seen as the role of consultants, especially

actuaries. Some years ago Chase straddled the fence by arranging for the clients whose funds it managed to have access to the analytical service of independent consultants

Frank Russell Some Chase clients still use this access even though Russell is now a Mellon Trust subsidiary. Meanwhile Chase has developed its own proprietory analytical service, predictably called the Analyser, and feels no need to rely on outsiders

Going it alone has become a hallmark of Chase. It rarely buys busines though one recent exception was the purchase of Morgan Stanley's custody business. It does not even like to ventures. State Street, one of its close competitors, freely admits to joint ventures with Bank of Ireland Securities Service Bermuda Commercial Bank and NedBank of South Africa with more on the

Mellon Trust has a joint venture with CIBC in Canada, Den Danske in Denmark and is looking for more European partners. Mr Jewitt insists Chase has

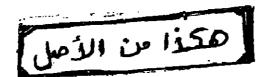
Chase also intends to stay alone – as a way of staying ahead. Where others are happy to buy and sell technology as a way of keeping abreast of new advances, Chase prefers to grow its own, which it then guards iealously. "We don't sell software to third parties," staff say brusquely.

15

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Christine Moir





PROFILE Intersettle

A mouse is set to roar

Ambition has always been a whispered word in the high-tech palace that houses Intersettle wbich started life as a Swiss outsourced custody service and is now a hybrid between global custodian and international

What has put Intersettle on many custodians' radar screen is the cross-border equity service links to Easdaq and the Isma Trax

Intersettle was chosen by **Easdag as the settlement** mechanism for the pan-European stock market over other contenders. notably the international clearers Cedel Bank and Euroclear. In addition Cedel Bank had its own cross-border equity service, called Liberty.

Charles Hanslin, a member of management and head of global marketing at Intersettle in Zurich, explains: "We were chosen by Easdaq because we were the only real-time only one willing and flexible enough to adapt our systems; and we were specialised in

The Trax link means that trades take three minutes input through to settlement at Intersettle, with same day settlement. Anything trades are bandled a day. with 85 per cent to 95 per cent settled on the same-day.

Mr Hanslin notes: "It is not 100 per cent because we have some deliveries going to Euroclear and Cedel Bank, and these are a little more complicated because they are batch processing.

In the early days. Intersettle raised a few eyebrows in Swiss custody circles with ambitions to offer services to all who wanted access, but a few

words in the right places stood between Intersettle as "the custodian for Swiss banks" and becoming "the Swiss international securities depository". The idea behind the venture was simple: to consolidate the settlement processing o cross-border business at one single point in Switzerland, thereby reducing the number of links required by member

The controversy arose when it became known that Intersettle was exploring notions of providing custody services to non-Swiss banks, thereby putting them in competition with their owners. They have since backed off from directly competing, but have never lost the appetite for Intersettle operates in 37 markets, including Easdag, through online real-time links to the key markets. Other markets are handled via the Swift network in batch-process mode. The client mix is 74 per cent Swiss-based, including foreign banks in Switzerland, and 26 per

Intersettle offers a range of custody and value-added services, but it is custodian. Mr Hanslin explains: "The difference between us and a global custodian is that we force our customers to link ap with our settlement EDP platform, so they need to make the necessary normal with global custodians.

"Intersettle is somewhere in between being an international depository and a global custodian. The international depositories have a clientele of and do in-house clearing. We do settlement and



Charles Hanslin: 'we are the only real-time settlement platform'

clearing, the latter being done in the local

"Clearing is the easy part: it is the settlement and the value-added services which are the big

part of the business. Intersettle has defined for itself a niche position, but does it have the profile to become the premier pan-European hub? Absolutely, absolutely". says Mr Hanslin.

The advantage being that we are the only real-time settlement platform, and we offer cross-border straight-through processing, which I define as from client to market and back again, and this gives us the competitive edge. We have also equities, we have a lot of skilful people, and are able to offer a globalised

He adds: "The idea of building a clearing powerhouse across Europe question which needs to be addressed is the harmonisation of technical and market standards. Different settlement practices operate in different markets, and these would need to be harmonised to allow for straight through

"We see that there is a centration process. Who will be the winners is difficult to say, but what is needed is an excellent KDP platform and the ability to business without being too expensive. Intersettle is an

option in the market, and the market will decide where to go, but we are in a

very strong position." says

Mr Hanslin. One question that may soon be raised is that of a credit rating. When Cedel became a bank it attracted top ratings from the credit agencies, while recently the Amsterdam depository Kas Associatie was downgraded by one agency, so will

Intersettle be rated? "Intersettle does not have benking status, and so we do not need a credit rating," points out Mr Hanslin, "but we are supervised like a bank, report like a bank, behave like a bank, and handled like a bank. In the future. who knows?"

The company plans to

develop further. The next

push comes in September when the Swiss domestic repo market is launched, with an international market expected next year Intersettle has positioned itself to handle these trades. At present it is maintaining a distance from the derivatives market since that is handled in Switzerland by Soffex, the Swiss derivatives

Intersettle Wolfgang Michaelis, chief executive comparison with Cedel Bank and Euroclear: "We are a mouse and they are an elephant". As Intersettle seeks to expand its role it may gain the reputation of being the mouse that

Before the launch of

David Cowan

AFRICA • by Greta Steyn in Johannesburg

pportunities abound*

Many African countries are beginning to modernise their financial sectors

South Africa and other African countries are liberalising and reforming their financial markets, creating a bigger and more challenging market for the providers of custody services.

Turnover on South Africa's financial markets has been soaring as the country rejoins the global economy after years of isolation. Other African countries are also climbing on the globalisation bandwagon, modernising their financial sectors and in some cases creating markets from scratch. All over Africa there are vibrant, albeit small, financial markets that will make increasing use of custody services.

The most important factor for the South African market is the easing of foreign exchange controls, which means South African institurequire offshore custody services. Conversely, South Africa has carved a niche as an emerging market and its burgeoning attractiveness to foreign portfolio investors places new demands on local providers of custody.

South African providers of custody services are gearing up for a big change on the equities market - the advent of paperless scrip in the first half of next year. The dematerialising of trading on the ability to manage their inter-Johannesburg Stock national investments effec-Exchange will do away with the need for vaults to keep scrip and with cumbersome settlement procedures requiring the movement of paper. For custody providers, the emphasis will move away from the handling and managing of physical settle-ment to technology-based

their investments. The changing nature of becoming part of the global the local market, and the market and needs custody The changing nature of new demands from reform-

services that enable institu-

tional investors to monitor

forming alliances with for eign banks to offer global custody services. The most recent announcement came from the Standard Bank of South Africa, which in May this year formed an alliance with the Bank of New York, one of the world's leading

global custodians. The agreement gives Standard Bank's institutional clients access to the Bank of New York's 87-market custodial network, offering a range of global custody services, investment reporting, portfolio analysis and perfor-

One of the reasons for forming the alliance was the easing of exchange controls, which meant South African institutional investors are now allowed to take 15 per cent of their assets offshore through asset swaps. Only a fraction of cash flows can be invested overseas without making use of the asset swap mechanism; the freedom to invest cash flows is likely to increase in time.

Vivienne Mileman, director of Standard Corporate & Merchant Bank Financial Asset Services, said as South Africans became global investors, they increasingly needed to manage investments in a multitude of markets across multiple time zones. "The Bank of New York's global reach, across 87 markets, and its ability to provide on-line access to custody-related information all over the world, provides South African asset managers and investors with the

The Standard Bank provides custody services in eight sub-Saharan African countries ~ Zimbabwe. Namibia, Botswana, Swaziland, Kenya, Zambia, Ghana and Nigeria. The bank is looking at providing services in three more countries by the end of the year - Tanzania. Uganda and Malawi.

"Africa is increasingly services as financial markets ing African countries, have grow. It is true that these ing custody services in Afri-led to South African banks markets are illiquid and that can countries in the

Derick Nei (left): 'we have had to replace

lacking. But there are advantages, such as that new stock exchanges are started up with the best technology and without paper." said Ms Mileman.

Nedcor Bank has entered into an agreement with the State Street Bank and Trust Company of Boston, which offers services in almost 90 Nel. Nedcor's general man-ager scrip and custodial services, said South Africa custodians had had a lot of catching up to do as the country's markets opened up and as local investors moved offshore. "We have had to replace antiquated systems, especially as volumes soared on the stock exchange.

Mr Nel said links with foreign providers of custody services enabled local banks to provide integrated nting reports to South African institutions on their offshore investments. He believed a growth area in the market was likely to be cross-border securities lending. Nedcor was talking to the Reserve Bank to clarify exchange control issues that affect securities lending.

Mr Nel also saw the rest of Africa as a growing market, which would be facilitated by State Street bank provid-

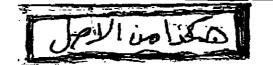
investor confidence is still southern African region. doing business in Africa was the lack of up-to-date technology, but this also presented an opportunity to custodians to get the right technology in place. "This is a technology-driven business." Mr Nel said.

> However, Chase Manhattan, also a leader in the global custody market, does not yet see significant growth opportunities in the African market. Ramy Bourgi, the bank's senior vice-president for global focus was still very much on South Africa, with other **African countries periph**eral 'We see a good market for custody services where there is a mature institutional investor base, and other than South Africa, African that." The US bank does. however, provide services to central banks and multilat-

Africa. ties are still limited in Africa, especially where capital controls exist." he said. Mr Bourgi said the easing of exchange controls made South Africa a more attractive market, as it would create opportunities for the

eral lending agencies in

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Reforms make the going much tougher

Russian corporate and money. By acting as a which started last May to reprimanded two leading sub-custodian based in work as a depository for govlaws are now clearer and more rigorously enforced

global custodians in Russia. Competition among them has become strife, their clients more timid and the Damoclean sword of a rouble devaluation ever more

But, at the same time, custodians enjoy in Russia a more regulated and healthier environment than before. Russian corporate laws are clearer and more rigorously enforced. Western standards of disclosure and accounting are more widely used and the trading and registering of securities has taken a more modern and efficient

One key development in that direction is the growing authority of Russia's Depository and Clearing Company (DCC), the Russian equivalent of America's Depository Trust Company. "The DCC is becoming a bigger player in the world of custody in Russia." says Michael Pernetti, head of custody at ING Barings in Moscow, which holds to do the job. "There is no

The DCC is already the main depository for several Russian blue chips and its role should continue to room for agencies. Custodiexpand. Custodians say the ans predict the Central ticular that of minority par- act as sub-custodians for for-DCC will save them time Bank's protege, the NDC, ticipants. In the process, he

Moscow, thus compelling custodians to visit their premises, even if they are in rationalisation of the settleremote Siberia, to register and settle trades.

Although much progress having a difficult time settling itself on the market as Russia's undisputed central agency. Many market opera-\$10bn in assets in custody.

Bankers say the DCC does not enjoy real backing from the Federal Securities Commission, Russia's capital markets watchdog, while the Central Bank is pushing for another agency, the young Dimitry Vassiliev, is becom-National Depository Center, \$9.8bn in assets in custody in Russia. consensus among government institutions about who should fulfil that function", market, Mr Vassiliev

says Mr Alexeev. However, there may be

Moscow, the DCC will spare ernment bonds, will end up custodians lengthy travels overseeing the fixed income across Russia's 11 time zones market and the DCC will get to register their clients' the equity market. "With a trades. It will also signifi- market this big, there should The days of easy ment process. Still today, depository," says Nick many Russian companies do Orchard, head of custody at not have a registrar in Credit Suisse First Boston in Moscow.

> ment and depository system. the other good news for custodians is that, financial crihas been made, the DCC is ses aside, it is becoming safer to hold Russian shares. Although most shares are tions. available only in demateridepository and settlement alised form, the probability that an investor will lose his Mikhail Alexeev, deputy books is very slim," says chairman of the board of Paul Blyumkin, custody Oneximbank, the largest manager at Templeton Russian custodian, with Global Investors, one of the largest investment funds in

Russia

ties Commission (FSC) may not be doing much to boost the DCC's authority, on the other hand its chairman. ing an adamant defender of shareholders' rights. In an effort to rekindle investors' confidence in Russia's equity launched a campaign earlier this year to strengthen the voice of shareholders, in par-

Yukos and Sidanco, for violations.

Mr Vassillev is trying to cantly speed up the settle- be room for more than one regulator, detached from Russia's chronic business through parliament a bill Aside from the ongoing that will introduce stiffer sanctions on corporate law companies that procure false information or fail to provide required information will face significant sanc-

safer and more regulated milieu to work in, but busithe government is less enthusiastic. "The government is not playing the active role it should," says Mikhail Alexeev deputy. investors, and competition between custodians is increasingly tight. By now, all the largest global custodians have landed in Moscow. Credit Suisse First Boston, While the Federal Securi-Chase Manhattan, ING Barings, ABN Amro, Cittbank, Fleming UCB are competing among themselves for the few investors left.

> These foreign banks have to share the market with Russia's two custody giants, Oneximbank and Vneshtorgbank. The former is one of Russia's largest equities custodian while the latter is a leading foreign debt custodian. Often, these two banks

have going for them is that a locally licensed custodian foreign investors find it difficult to play the Russian mar- tor, register trades and ket without them. Increased regulation brought an increased licensing of trade, out its financial flu, foreign rendering Russian capital investors will see two new markets less accessible to instruments appearing on

who can represent the invesspeak the language.

As soon as Russia sweats

Depositary Receipt, the European equivalent of the

What global custodians outsiders. Hence the need for the market: the European folio of global custodians is ADR, which will give Rus- nications, oil and gas and sian equities exposure on energy equities. Bold inves-Europe's main trading tors may also hold some vesfloors, and Russian corpo- kels, or promissory notes,

TECHNOLOGY • by Tim Steele

Engine of change and expansion

Emu and the 'millennium bug' are adding to pressures to update systems

Together with globalisation, technological innovation is a prime driver of change within the global custody

Addressing delegates at the recent Securities Indus- Andrew Tucker: cost is a barrier try Association operations conference in California. SIA president Mark Lackritz went so far as to describe 1998 as "the year of the systems challenge".

Fellow speaker Joseph Grano Jr., president of the PaineWebber Group, stressed that the pricing elastic nature of the securities business is forcing pro-viders to offer clients a "value proposition" through differentiation via both service levels and technology.

Economic and monetary union and the issue of Year 2000 compliance have thrown the spotlight on systems, forcing market participants to retool legacy systems or even outsource the processing function.

Similarly, technology is the key facilitator when it comes to engineering the "virtual pipeline" that will make universal straightthrough processing and a global T+1 settlement cycle necessary to reduce settlement risk and accommodate the ever increasing transaction volumes within the

Technological advances come at a price, however. The consolidation sweeping the custody business - most recently shown by Chase Manhattan Bank's acquisition of Morgan Stanley Dean Witter's global custody unit has partly been triggered by the infrastructural cost burden providers must shoulder. For those, such as MSDW, for which custody is not a core strategic business, withdrawal is the only long-term option.

"IT is a major spend and affects the efficiency of your the internet derived TCP/IP operation and your ability to protocol, promises faster and transact ," says Nick John, manager, client information services at Chase. "In terms of scale and the profitability dynamic, it can be fairly daunting to imagine the kind of investment you need to make to keep pace. You have to spend a lot of money to stand still, as it were."

rier to new entrants, says than the datacentric prod-Reith Hallman, manager of investment information services at Mellon Trust. "[Cus- of Brown Brothers Harriman Tim Steele is editor of Cleartody) is not something you in London; agrees that "cus- ing and Settlement magazine



to new entrants

are going to want to make a is not an environment where 'if you build it, they will come' - the competition is tough out there, and Mellon and many others have been investing in technology for

decades," he says. Andrew Tucker, partner at Brown Brothers Harriman, agrees unreservedly: "In terms of de povo operation, there will not be a new custodian coming along anytime soon."

In recent years, custodians have poured resources into extending the breadth of their product offerings beyond the core safe-keeping function through the addition of "value added" services, such as performance measurement and securities lending. Now the focus is again shifting, with custodians using technology to offer clients greater service.

"The actual benefit of new technology is starting to precipitate across to the client whether it is service, products or opportunity, or how the client then implements it in their own world - and that precipitation is happening much quicker," says Mr John. It is down to the custodian to "make sure we are not only better equipped to transact in a global world more efficiently, but to start to leverage technology to create new value added products", he adds.

A move toward the enhanced connectivity offered by open systems architectures and new measaging technologies, such as more efficient communications and distribution. "The client perceives extra benefit [in the shape of] better settlement, less pipeline liquidity risk and the ability to import transaction information faster," says Mr John. "More than that, it allows the custodian of vesteryear Certainly cost - including and the securities processing systems financing - is a company of today to look at almost insurmountable bar-information products rather

ucts they were used to." Hampton Lynch, chairman

tody really has become an information delivery business, rather than purely a securities processing busi-

"The trend now is to take the massive amounts of data the global custodian almost inevitably picks up as a function of doing the processing and custody, and turn that into information that is available in a very flexible manner to your

ent," says Mr Lynch. This ability to re-engineer aggregate, contextualise and otherwise enrich data drawn hig investment in because it from across the custodian's product offering - melding it into information that can be accessed by the client via a data repository or "ware - is seen as a crucial tool in an increasingly commoditised business.

> "The dataware housing concept allows you to take mainframe scalability and pump it into a database where it is much more user friendly," says Mr Hallman You should be able to offer [the client] a plethora of data, measuring performance at the consolidated level, manager level and security level and then, moving further up the food chain, to do attribution against that performance. and give the fund manager or plan sponsor information on where they are making the right investment deci-

At heart, custody remains a relationship business, and technology must be seen as than an end in itself. "Obviously technology is a tool like any other that has positive and negative attributes." says Brown Brothers Harriman's Mr Tucker.

"If technology means you clients are just talking to a machine and there is no client service override on top of that, then I'm not sure technology is all that friendly as far as the client is concerned. This is still a people business, and there is a tremendous array of information, and indeed processes, that do not necessar ily fit into a little black box and allow people to operate

at a distance via a terminal."

Hampton Lynch adds: "If you look at some of the industry surveys, when respondents are asked to rank services in order of importance, technology comes well down the list nowhere is it in the top three [priorities]. So to focus everything on the issue of technology and the system spend is to forget that clients will tell you that yes, it is important, but it is not



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Spotlight switches to the back office

In London, the Financial Services Act launched a new era in UK regulation

Regulation has come a long way since the days of a good solid handshake to seal a deal. The questions pandered by industry professionals ing, how to reduce risk

John Langton, chief executive and secretary-general of the International Securities for professionals, rather it

voted the top global custody

In a survey of predomi-

companies conducted by

R & M Consultants, a market

research firm, RBS Trust

Renk Bank (1997 position

Global custody: satisfaction survey

fourth year running.

the demise is greatly exaggerated. At the institutional (NAPF) conference last level, where everyone understands the business, it chairman of the Financial clearly is important to retain self-regulation. But even then, self-regulation cannot spect, it would appear that

domestic UK regulation, but cers and the other outward across borders, and whether the change in attitude did and visible signs of regulathe days of self-regulation not happen until the Max- tory observance. But it is

Regulation was no longer perceived solely as an issue went further down stream to new environment and did

Small tops the poll

custody business of S.G.

Warburg and Royal Bank of

nantiv European-based ans, such as Chase Manhat- sultants, More than 600 cli-

investment managers, pen- tan, State Street and Bank of ents were approached and

New York, performed well

but cannot quite get the

edge over their smaller rivals," says Richard Hogs

flesh, managing director of

days of self-regulation are not completely over. I think At the National Ass quences that might flow At the National Associafrom their failure to do so. In other words, they did not tion of Pension Funds appreciate the need to manage regulatory and reputa-November, Howard Davies,

tional risk."

The issue of risk manage-Services Authority (FSA), told delegates: "In retroment gradually pushed the back office into focus, and flourish at any level unless the insurance industry did the stakes in the custody it fits within the broader reg- not take regulation particu- business were raised. The ulatory framework." larly seriously in the early issues raised by the FSA's In London, the Financial years of the Financial Serrevolve around what impact Services Act marked the vices Act. Of course, they and Investment Board (Sib), increased regulation is have beginning of a new era in appointed compliance offi-M A firm should be made

The survey is the fifth

300 questionnaires were

returned, giving 4,800 sepa-

rate scores. The question-naire used 16 different cate-

gories to assess the service

asked to rank their provider

on a scale of one to seven in

each category. The total

scores for each custodian in

all categories were then

averaged to arrive at the

this year. Its score improved

business of Morgan Stanley

"The super large custodi- undertaken by R & M Con-

contractually responsible for apparent that, by and large, organisations did not adjust nies. This would provide added certainty that if the their behaviour significantly firm were then to default, a to match the demands of the private investor could make a claim on the Investors Compensation Scheme: ■ A firm should make its

customers aware of the risks attendant on custody; A firm should not use its customers' investments for its own (or other customers') account without obtaining small RBS Trust Bank enters the R & M Consultants. "A top privately-owned Geneva- survey for the first time. It level, personal service is clear and express consent: based bank. Pictet, has been was formed to take on the uppermost in what clients 🛢 A firm should consider

require from their custo- the effect of a third-party custodian becoming insol-

development at Lloyds Bank Securities services, believes end-users of custody rather than the custodians. Mr Watson notes: "None of these were really issues for a proper independent custodian. The effect on the business has been that the role of independent custodians is now accepted and the status of custody has been raised. Pension fund managers are The table shows that Chi- now more aware and cago-based Northern Trust involved in the appointment was the most improved cus- and review of custodian. todian, jumping from 10th This has been a post-Max-place in 1997 to third place well awareness enforced by

transactions, he says: "In the the Pensions Act," first instance, anyone who While national regulatory uses the agreement is able to The survey was conducted regimes have been strengthadd annexes so long as they before Chase acquired the ened there is still concern when transactions go across borders. One solution to cre-In the second instance, we ate greater certainty in such revise the agreements every Roy Terry transactions has been the year. It would be a problem

industry agreements, aimed recognise the fact. The point at creating a single contract is that our agreements are that all participants can sign enforceable in the event of and use, on the principle default."

Much of custody is con-

that after all 200 bankers

agreements is that the legal

opinions gathered are very

narrowly drawn and, in a

cross-border deal especially,

it is likely that you'll have

the agreement."

stepped outside the terms of

Mr Langton disagrees. In

reference to the Isma stan-

dard agreement for repo

issues involved.

cerned with what may be can't be wrong. There is debate, however, whether inelegantly characterised as this resolves all the risk "who owns what in which place at what time?", a defi-Eric Bettelheim, a partner nition which is critical to at Mayer Brown Platt, views insolvency situations. On a standard agreements as cross-border basis there is indicative of a herd instinct some concern over the differ-David Watson, director of in the financial markets. He ences in national regulatory marketing and business argues: "There are two prob- regimes, and the choice of lems with standard industry law issues raised. Barings highlighted the cross-border agreements. First, they stop people from thinking about problem, and the risk of regulatory arbitrage, while a recent court judgment in the particular contracts involved. Second, they are Belgium highlighted the not revised. Laws change, opinions change. The history choice of law risk. of development of these

The choice of law in many Euroclear, based in the civil

to be held in Belgium and subject to Belgian law, a leg-

islative issue that Euroclear is currently attempting to

develop their domestic laws to meet the rigours of global

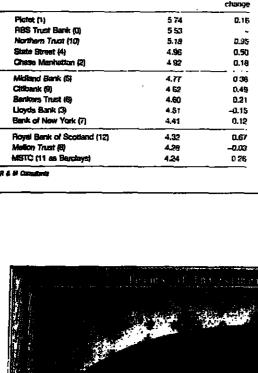
standard industry agreements is the common law of England, yet many cross-border transactions are conducted via Cedel Bank and law jurisdictions of Luxembourg and Brussels respec-

While courts in these two countries will respect the counterparties' choice of acknowledge that in writing in insolvency cases where when making an agreement courts look at the bankruptcy jurisdiction, not the agreements. Unlike Luxem-

introduction of standard if we didn't do that, and we gian courts deem securities trading and custody, they As national regulators doesn't break down every

need to bear in mind that they are part of system that is not always in harmony. Mr Bettelheim warns: "The system does break down. It day, but when it does it is

Rank	Bank	Total Sbri	% of total custode seed
1	Chase Manhetten Benk	1,268	- 31.
2	Chibank	699	. 472
3	Deutsche Bank	627	23.
4	Bank of New York	627	19.0
5 .	State Street Bank & Trust	489	16.2
. 6	Benkers Trust Co	422	21,1
7	Parisbas	270	67,5
8	Morgan Stanley Global Custody	248	64.6
9	ABN Amro Benk	234	50.0
10	Benk of Tokyo-Mitsubishi	228	98.2
11	Brown Brothers Harriman	725	58.0
12	Royal Trust Corp of Canada	146	53.2
13	Northern Trust Co	135	16.5
14	Midland Securities Services	127	25,1
15	RBS Trust Bank	123	27.5
16 .	Sumitomo Trust & Banking Co	119	45.1
17	Industrial Bank of Japan	108	9,62
18	Melion Trust	106	14.0
19	Société Générale	100	41.7
20	Full Senk	. 98	8.99
21	Lloyda Bank Securities Services	65	28.0
22	CIBC Mellon Global Securities Services	50	38.5
23	Kradletbank Luxembourgeoise	50	29.2
24	Benk of Bermude	50	99,2
25	Skanginaviska Ensidida Bankan	20	13.1





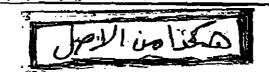


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RICHARD DONKIN

Information overload

Technology at work has become as snarled and congested as our motorways

Sooner or later I will have to Microsystems was moved to management. Everyone else does. I have one draft report and one unpublished manuscript from people who seem to know what they're talking about but they must wait a while because I'm stuck. Not just stuck but confused and frustrated almost to the point of paralysis. The problem is technology. I used to think it was a good thing but now

I'm not so sure. It seems a heresy to raise such doubts. But are we progressing or are we regressing? Jeremy Rifkin in the *End of Work* predicted an almost workless world Like the paperless office, it hasn't happened.

.

Information technology, in particular, has created jobs. Most big companies have dozens of employees, whether on staff or contracted, working on web sites and intranets that did not exist five or six years ago. Computer companies in Silicon Valley are falling over themselves to recruit people, so much so that a personnel manager at Sun

remark recently: "If they can fog a mirror we'll take 'em."

But are all these new industries improving our lives? Take the technology that gives us new materials. It can build tennis racquets that enable Wimbledon finalists to serve at 130mph. thus destroying the skilful interplay that beguiled tennis watchers in the days of wooden racquets.

It can build golf clubs that hit a ball further and more accurately than before, making matchplayers out of journeymen. It can build a power boat that can circumnavigate the world emasculating the spirit of adventure.

Technology has provided satellites that can transmit junk television to our homes. Junk mail has been with us for some time but now we must contend with junk e-mails while voice . mail enables us to retain and

re-play junk telephone calls. We embraced the new technologies readily and they really seemed to work at the beginning. The big problems have emerged with out nails automatically in

computer technologies. With nothing fundamentally new to invent, the software producers have "improved" existing systems. Thus, basic functions have been swamped by over

Could it be possible that software specialists have stretched their skills too far in the same way that the 16th century school of Mannerist painters believed they could improve upon the Renaissance masters such as Raphael, Leonardo da Vinci and Michelangelo who had perfected the human form in art? Mannerist paintings were characterised by eloneated limbs in exaggerated poses - a classic case of art for art's sake.

Are we now struggling in the workplace with examples of technology for technology's sake? As far as I know, no one has improved on the hammer for knocking a nail into wood. But I get the impression that if you gave a hammer to a systems specialist he would probably remodel it in carbon fibre with a titanium tip and hollowed out handle that takes cartridges, punching

complex hydraulic system. It could be packaged and sold

"There is joy in work," Henry Ford once said. Would he say it today? Have we been blinded by new technology, blinded by a sophistication that is destroying the joy in work? My job is fairly basic. I ask questions, write down the responses and attempt to arrange the words in a way that people might find useful or stimulating.

The technology is supposedly there to help yet it is becoming as snarled and congested as the motorways that have removed the joy from driving. We marvel at the information explosion yet the fall-out is furring the arteries of the very systems that made it possible.

Information technology is beginning to infuse itself into our very beings. If Descartes were alive today he would probably have been attracted to the idea that "I surf therefore I am". What sold itself as something to transform our lives is in danger of

the body spatchers. No wonder that companies and academics are grappling with the concept of knowledge management. The challenge is not simply to harness information but

developing an uglier mantel,

a computer-led invasion of

Technology has opened the floodgates to junk information, a pollutant as debilitating to the neurons

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as a pneumatic drill can be to the ears. It has become the most popular ammunition in the sell and

the sell is fiercer than it ever was. It is not enough to pulp the odd forest for reports, leaflets and glossy brochures. Those are used in the initial barrage. If we

judgment intact the chances are we will be picked off by the well-aimed fax or e-mail. sometimes both, rammed home by the telephone call

Tokyo toppled Almost everyone I speak Osaka and Kobe have to is familiar with these overtaken Tokyo as the most

This is the way I am

home, often outside office

top using outdated but

perfectly serviceable

software. It's not

techno-sceptic.

hours on a monochrome lan

technophobia. Just call me a

devices. Many complain they expensive cities in which to are no longer the masters of live, according to the latest their own agenda but slaves index drawn up by P-E to agendas defined by others. Inbucon's Worldwide Living Costs survey, which looks at beginning to feel. It explains about 120 countries. why I prefer to write at

The number of cities indexed higher than the London base of 100 has dropped markedly because of the relative strength of

The index, which is drawn from seven international indices, is based on the needs of a married couple with two schoolchildren. excluding house rents and

The exchange rate is that on April 28. To update the index divide the exchange rate by the new rate and multiply the result

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- Good communicator and team player

In the strictest confidence, please send a full CV to: Samantha Hills, Recruitment, Commerzbank Global Equities, 60 Gracechurch Street, London EC3V 0HR.

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COMMERZBANK 382

Equity Research

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At J.P. Morgan, a leading global investment bank. the continued growth of our European Equities business is creating further career opportunities in research. Based in London, our equity research effort focuses on selected pan-European sectors.

Our equity research in the utilities sector is growing as the trend towards privatisation and deregulation in Europe is maintained. The focus in on electricity and water utilities in Continental Europe. We are looking for a versatile utilities analyst who can play a generalist role in providing back-up knowledge and support in response to both internal and external client needs. Over time you will develop your own coverage of companies.

The objective will be to analyse sector trends. forecast companies results and, ultimately, make investment recommendations. The ability to prepare models and provide effective marketing support is

key and will lead to the development of close relationships with fund managers and companies.

You will need at least a 2:1 degree in a business. economics or accounting discipline, preferably supported by an MBA. You have a corporate finance/equity research background or exceptional industry experience, possibly gained with a management consultancy. Fluency in at least one other language, ideally Spanish or Cerman. is also essential. You will have a high level of self-motivation, excellent verbal and written communication skills and the ability to work effectively as part of a team.

To apply for this role, please send a full CV to Julia Tarboton at J.P. Morgan. Recruitment Centre. P.O. Box 161. 60 Victoria Embankment. London ECTY OJP. Closing date for applications

JPMorgan

Global Research Manager

Allocation

Our client is the investment advisory and asset management arm of one of the world's largest banking and financial services organisations. Operating globally, the company provides a wide range of investment services to institutional, retail and private investors and manages US \$100 bn. As a result of our client's continuous growth and development, this exciting role has arisen and created the need to recruit a senior professional into the global quantitative research team. Your objectives will be to:

Location Internationally

- Develop global tactical asset allocation models
- Forecasting expected returns, risk and correlations
 Develop and implement portfolio risk measurement and monitoring systems. Provide creative and innovative quantitative input to the asset management process

You will be an experienced Fund Manager or Research Manager with ideally 3-5 years in global tactical asset allocation modelling, enabling you to provide supervision and to manage the research process. Actual money management experience will be a distinct advantage.

Highly attractive package

Your presence and interpersonal skills will give you instant credibility and will allow you to make significant contribution to the group's overall success. You will benefit from a stimulating environment in which personal contribution is highly valued and rewarded.

Interested candidates should write with full CV, quoting current rewards package to Petra Rickmeyer, Financial Services & City Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AX, Tel: +44 (0)171 970 9600, Fax: +44 (0)171 353 6924, quoting ref: LPR/17697/FT.

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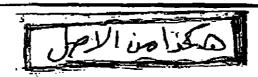
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A sector-focused approach and global presence create the in-depth understanding required to anticipate the market, identify opportunities and devise appropriate and effective strategic solutions. The bank has thus developed an outstanding record in leading landmark transactions whether they are acquisitions, mergers or capital raisings.

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You may also apply via http://taps.com/Robert_Walters quoting reference RWHK14.

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largill is a diversified multinational company. One of the world's largest privately-held companies, we employ approximately 79,000 people in 72 countries, in 1,000 different locations. Cargill has offices throughout North and South America, Western and Central Europe, the Former Soviet Union, and Africa. Our European headquarters are located in Cobham, Surrey, U.K.

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We have opportunities for ambitious traders capable of longer term progression to management. You should have a university degree and more than two years work experience in emerging markets.

Entrepreneurial flair, relevant language skills and flexibility are necessary qualities. Geographical mobility is expected. OPPORTUNITIES EXIST, INITIALLY IN THE UK, WITH EVENTUAL Romania, Russia, South Africa, Switzerland, Turkey

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Program Manager for Information Products

The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group (WBG), created to enhance the flow of foreign direct investment by providing Investment insurance against non-commercial risks and technical assistance to developing countries. Technical assistance is provided through MiGA's Investment Marketing Services Department (IMS). IMS seeks a Program Manager for Information Products and Services to manage several information-technology based programs to facilitate communications and data sharing among international investors and investment promotion organizations.

Responsibilities: Directing development and delivery of information tools to support IMS investment promotion capacity-building and information dissemination mandates, and for the IMS Knotkledge Management system. In consultation with MIGA's CIO, participate in WBG committees, boards, etc., relating to knowledge management. Other specific duties include: lead a team of five specialists; manage marketing, content mobilization, upgrading, and customer support for IMS' web facilities; develop and lest new products; and, contribute to mobilizing external funding for the program.

Qualifications: Winimum of a Masters degree in economics, business, information management, or related field. At least fan years professional experience in an international role, including at least 3 years senior experience in the field of information and/or knowledge management. Conversant with state-of-the-art tooks for training and information dissemination, including internet, interactive CD-ROM, and video. Strong leadership sidils and the ability to work as part of a team. Mestery of English required.

MIGA offers an internationally competitive compensation package. Qualified candidates should send cover letter and detailed CV no later than July 20, 1998, to MIGA Department of Central Administration, 1818 H Street NW, Room U12-025, Washington, D.C. 20433. Fax: 202/522-2660. Only shortlisted candidates will be contacted.

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- As a result, our European HR team is currently implementing a major programme to align HR processes including recruitment standards, career routes, skills development programmes, resource deployment and mobility programmes. Three new pergenent positions have been creates through this ongoing initiative.
- If the first is for a Resourcing Manager to manage our global and European resource deployment programme. The second is for an International Mobility Manager to create and implement strategic proactive programmes to manage the exchange of resources between countries. Finally, we need a European Manager, Learning and Development to co-ordinate wide range of training activities including induction programmes, computer-based learning. g wive range and co-ordination of activities with national training managers.
- All roles demand at least 10 years' professional experience, at least part of which should have been spent in a large professional services organisation. You'll need relevent HR experience in one of the above areas, coupled with international business exposure. A mature : and assertive individual, you'll have the ability to present a coherent business case, and to and ease affectively at all levels and across cultural boundaries. Fluency in a major European Interact enterancy of an according by excellent spoken and written English. Highly competent at planning and organising, you'll also have sound strategic and business judgement.

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scapsory engaged in an active change programme As past of this strategy, we are introducing the new tope of Account Executive, which will act as the focal point a contact between LIFFE member firms and the Exchange. Each Account Executive will have responsibility for a sampler of member firms, including key clients. The

entrates will be on developing positive, reciprocal business The communication of new product, service,

Secretarid requisitory initiatives, but also deliver valuable social on member firms' ongoing requirements and expectances: A key part of the role will be to maintain the ingrees levels of client satisfaction - calling for liaison with colors Lift Executions in addition to ad hoc problem-solving. The are looking for people who combine at least three

Europe's premier futures and options exchange, - years' experience in financial markets (preferably derivatives) with a strong customer orientation and excellent communication skills. You will also need to demonstrate a resilient. committed approach, effective powers of negotiation, and the ability to interact with people at every level.

These high-profile positions will make an important contribution to the future of the Exchange, and offer excellent opportunities for further career development. To apply, please write enclosing your full cv and a note of current remuneration to Andrew Deveney, Personnel Department, LIFFE, Cannon Bridge, London EC4R 3XX.

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As part of its drive to further strengthen the department, the company wishes to recruit

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several graduate analysis of the highest callbre.

- The successful candidates will: • have graduated from a top university in the last three years with an upper second or

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Interested parties should contact Lisa Walsh at Robert Walters Associates, 10 Bedford Street, London WCZE 9HE. Tel: + 44 171 379 3333, Fix: + 44 171 915 8714. or James Muston at Robert Walters Associates, 21st Floor, Jardine House, One Connaught Place, Central, Hong Kong, Tel: + 852 2525 7808. Fax: + 852 2525 7768

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Manager – Derivatives Operations

Debt and Capital Markets

City

£ Excellent

the fixed income and associated derivatives markets. In order to further secure a management structure capable of meeting the challenges associated with growth and change, a key requirement has arisen for a senior derivatives operations professional. Reporting to the Global Head of Fixed Income and Derivatives, the appointee will assume full responsibility for trade processing, trader support, settlements, confirmations and management information.

Our client is a major Investment Bank experiencing dramatic growth in

Key aspects of this role will be to:

- Maximise the efficiency of derivative operations.
- Lead operational aspects of business development including project management.
- Enhance existing systems and procedures to meet internal and external business demands.

A strong technical background in Interest rate derivatives is essential, coupled with excellent man-management and change management skills which will have been gained within a high quality investment banking environment.

This role represents a unique opportunity for an ambitious individual to join a highly progressive organisation where excellent career prospects exist due to considerable growth and restructuring across

For further information, please contact Sharon Swift at Michael Page City, 50 Cannon Street, London EC4N 6JJ quoting reference 434598. Tel 0171 269 1820 or fax 0171 329 2974, e-mall: sharonswift@michaelpage.com

All replies will be handled in the strictest of confidence.

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Please send your curriculum vitae in strictest confidence to:

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London

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It provides corporate, financial and institutional customers with extensive treasury, banking, commodity, structured trade finance, emerging markets, corporate finance, asset manager nvestment and international services. The group has total assets exceeding US\$25 billion and employs more than 30,000 people

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- Close liaison both internally with Relationship Managers and externally with clients regarding structuring of transactions.
- ◆ A variety of travel opportunities to the Far East, Latin America,

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- The Candidate ◆ Minimum of 4-5 years relevant experience gained from a recognised financial institution.
- ◆ Strong understanding of Structured Trade Finance products and
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- background would be advantageous. ◆ Preferably educated to degree level, with strong written and communication skills.

This position represents a superb opportunity to work for a leading provider of Trade Finance facilities, with exciting prospects for the future. It is important that candidates can combine technical abilities with an inclination to take a hands-on approach to the job. An attractive salary and package will be awarded to the successful applicant, reflecting the experience and capabilities for this challenging role.

Interested candidates should contact Mark Petiman on 0171 269 1868. Alternatively write to him, enclosing a full curriculum vitae at Michael Page City, 50 Cannon Street, London EC4N 6.U. Fax 0171 329 2986, e-mail: markoettman@michaelpage.com Please quote reference 411104.

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Merrill Lynch

Head of Risk Management

With assets exceeding £180 billion, 56,000 employees and an active presence in over 40 countries, Merrill Lynch is a market leader in global investment banking. Merrill Lynch Capital Markets Bank Limited was established in Dublin, Ireland 1995 and has branches in Frankfurt, Milan, Tokyo, Johannesburg and Malaysia. Recently, Merrill Lynch have expanded operations in Dublin, creating an outstanding opportunity to work in Risk Management. The Requirements:

- The Role:
- . Establish a risk management function at the bank head office in Dublin Monitor traders daily risk activities and positions providing independent identification, measurement and monitoring of market risk across a range of products including debt and equity derivatives.
- Further develop market risk measurement methodologies and systems consistent with the banks expanding operations.
- Liaks with regulators, senior management of the bank, Merrill Lynch global risk management and credit management.
- . The candidate will be an experienced risk management professional
- with at least 5 years experience working in the risk management department of a capital markets bank or financial institution.
- Experience in debt derivatives and equity derivative instruments is
- A background in trading and valuing derivative instruments would be desirable, as would knowledge of VAR models.
- A quantitative or financial degree would also be a pre-regulate.

This is a first class opportunity to contribute to the continued success of this dynamic and rapidly expanding business.

Interested applicants should contact: Richard Gander at Morgan McKinley, Wellington House, 125 The Strand, London WCZR QAP, Telephone: 0171 557 7222 Fasc 0171 83% 3456 email: rgander@morgan-mckinley.co.uk







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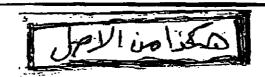
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c£90,000, bonus, share options Strategy Development Manager (ref: 2007/RT/FT)

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The person

The person

- graduate, either with accounting qualification or MBA
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Candidates who feel they have the necessary attributes should contact Robin Waddingham on 0171 929 2383. Alternatively, send your CV to her at Exchange Consulting Group, 13 St. Swithin's Lane, London EC4N 8AL. Fax 8171-929 2805. It is our strictly held ethic that no CV is forwarded to the client without the express agreement of the candidate.

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An experienced senior manager is required with a sound knowledge

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auditing. International audit certification(s) is an advantage. **BUDGETING & CORPORATE PLANNING MANAGER:** 5 years international

experience in this field. CREDIT RISK MANAGER/ASST MGR: 5 years of professional experience in credit risk assessment within a reputable international bank/financial institution.

PROJECT FINANCE MANAGER/ASST MGR: 5 years experience in projects PROJECT EVALUATION MANAGER: 5 years of expertise in IFIs covering

institutional, economic, financial aspects of project cycle. TRADE FINANCE MANAGER: 5 years of experience related to international trade

PROGRAMS OFFICER: 5 years of analyst experience related to regional/country

TREASURY MANAGER/ASST MGR/DEALERS: 5 years of experience in international financial markets.

HUMAN RESOURCES MANAGER: 5 years of international experience in personnel

IT MANAGER: 5 years in bank related IT systems development and management. FINANCIAL CONTROLLER/OFFICER: 5 years in international banking and

ADVISOR: 10 years experience in international economic, financial and/or banking issues in governmental/international organisations. Experience related to the region

ADMINISTRATION MANAGER/ASST MGR: 5 years of international

organisational/administrative field. LEGAL ASST: Specialisation in International and Commercial Law. 3 years of

experience. Stong academic background. EXECUTIVE SECRETARY: University degree. 3 years of experience, preferably with IFIs. Excellent command of English.

Proficiency in both written and spoken English is a prerequisite Willingness to work in a multinational environment is required Nationals of Member and non-Member countries are eligible Duty station is Thessaloniki, Greece

• Applicants are advised to use our Standard Form available on web page: http://www.bstdb.gr and e-mail: info@bstdb.gr. Standard Form or C.V. must include two references.

 Applications must be received before August 21, 1998. Applications will be treated strictly confidential. All applications with 56 defends of really confident
 P.O. Box 10111, 54110 Thessaloniki, Greece.
 Fax: ++30 31 286590 or ++30 31 222636.

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Emerging European Equities

West Merchant Bank Limited and Panmure Gordon & Co Limited form part of the international investment benking activities of the WestLB Group, a leading European banking institution and one of the largest in Germany with some DM600 billion of Group assets and current ratings of: Moody's Aa1, Standard & Poors AA+

and IBCA AAA. The Equity Division of WestMerchant is currently in the process of developing its emerging European equity capability focusing primarily on Russia, Romania Poland and Hungary. As part of this expansion, we are seeking to build up our Research team.

Emerging European Equities -Hungarian Analyst

The London based Analyst will work as part of a small team developing primary and secondary market business in Hungarian equities, as well as providing in-depth expert analysis on EEM regional chemical and pharmaceutical

Applicants must have a relevant degree, excellent communication skills in written and spoken English and Hungarian and a minimum of three years' experience with a leading Investment Bank. A proven record of analysing the chemical and pharmaceutical sectors in the region and a thorough understanding of the issues affecting these sectors in the emerging markets of Central and Eastern Europe is essential.

Competitive peckages including bonus and full benefits are available for the

Please send a CV with salary details, quoting ref. 98R082 to Diane Tissers -Personnel Manager at West Merchant Bank, 33 - 36 Gracechurch Street, London ECSV QAX

WestMerchant

Wanted: an experienced highly-qualified Financial Director. Requirements: good skills of European accounting, English/Russian, dynamic, sociable. Work and accommodation with the family in Moscow. Favourable terms.

Resume by fax: + 7 095 234 0665.

You are impressed by Singapore's telecommunications infrasiucture.

Now join the company which created it.

Investment Manager/Investment Analyst

Singapore today is recognised for its outstanding telecommunications infrastructure by the World Competitiveness Report, an achievement that is don in no small part to Singapore Telecom. Corporatised in 1993, we are ranked the largest company outside of Japan in terms of market capitalisation. With SS2 billion invested in 52 joint-ventures in 21 countries, we are well-placed to make an impact at the forefront of global telecommunications.

In line with our strategy to look beyond our geographical boundaries for our continuing growth, we have vacancies for investment Manager and investment Analyst in the international Finance Group to work with the business development team to provide financial support for new investment projects.

You will provide timely and relevant financial analyses to the Management in order to assist in the review, selection and development of existing and new investments. You will also handle in-depth financial analyses of new investment opportunities, which will involve building and analysing financial models. Other roles include leising with our business units to assist with the establishment of appropriate accounting and internal controls during project implementation, and putting forward recommendations to optimise investment restructuring.

The Requirements

You should be a graduate in your late twenties or early thirties with strong finance and economics background, with at least 5 years' experience in a large consultancy, in the corporate finance function of a major investment bank or in the merger & acquisition department of major companies. Knowledge of the telecommunications industry is preferred. You should also be a committed team player with excellent interpersonal and leadership skills. To succeed, you will need to have initiative combined with sound analytical judgement and good business acumen.

These roles present a unique opportunity for an independent and mobile financial professional to enhance his/her analytical and financial management skills in a high level management support role. An attractive and competitive salary and benefits package together with great opportunities for career development within the company will be offered to commensurate with the qualifications and experience of the successful candidate.

Please apply in confidence with full career details, salary history, and a contact talephone number, together with a recent non-returnable photograph to:

The HR Director SINGAPORE TELECOM

25th Storey, Comcentre, 31 Exeter Road, Singapore 239732. Fax: (65) 235 3015

Email; hropns@singnet.com.sg Website: http://www.singtel.com

All applications should reach us by 31 July 1998. We regret that only short-lead cardichase will be notified.

Singapore Telecom

FINANCE

Senior Research Executive Private Client Investment

Mature Individual

City

Unusual equity research opportunity.

QUALIFICATIONS

Significant equity research experience.

Confidence and personality to self ideas internally

and develop relationships with significant clients.

THE COMPANY

 Asset management and private client arm of a major international group.
 Apply International imacro' view as well as bottom-up fundamental research on individual stocks. Fire management structure, highly collegiate

THE POSITION

 Research function key, producing not only overall investment strategy and advice, but also specific ideas and information to help sell the firm's services.

 Comfortable in role which is effectively part analyst, part fund manager, part financial journalist. Please send full cv, stating salary, ref LG200230, to NBS, 54 Jerrnyn Street, London SW1Y 6LX Fax 0171 491 0447 Ernail markp@nb-selection.co.uk Tel 0171 493 6392



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STANDARD & POOR'S

Editor - Banking Paris Based

Standard & Poor's Ratings require an experienced Editor for its Financial Institutions Group in Paris. You will be responsible for overseeing all articles prepared for electronic services and print publications, notably Creditweek and its CD-ROM product Credit Analysis Reference Disc (CARD). You will work with analysts in Europe and, within the editorial team, liaise with colleagues in other offices, in particular New York, to ensure the highest content quality, writing style and design.

Apart from at least five years' writing and editorial experience, preferably obtained via a business/finance related publication, with English as the mother tongue and fluency in French, you must have a strong technological knowledge, including Microsoft Windows. A degree in journalism, or a business/finance subject. would be advantageous, as would knowledge of other European languages.

We offer an attractive compensation package that will fully reflect your skills and experience. Please write with a full CV and current salary details to: Isadore Ryan, Editor, Standard & Poor's, 21-25 rue Balzac, 75406 Paris Cedex 08, France.

A Duvision of The McGraw-Hill Companies

MANAGER-INTERNAL AUDIT

Our client, one of the world's leading Securities Firms is currently seeking an outstanding individual to Join it's Internal Audit team based in London. The Internal Audit. group provides local support to the business units and Firm Management to design and maintain a high level of control in a range of technically demanding locations. To succeed in this highly challenging and demanding environment, the successful candidate should be keen to

develop a long term career in the internal audit environment and be able to demonstrate the following areas of nechnical expertise:

- Extensive experience of internal malit within a global investment banking environment Complex financial product exposure such as Fixed
- Thorough understanding and interpretation of the current regulatory environment in the world's key financial centres.
- In addition, candidates should fulfill the following criteria: Qualified Chartered Accountant with at least 6 years relevant post-qualification experience with a "Big
- Excellent first degree in a business-related discipline Experience of managing highly motivated and
- changing teams
 High level exposure to business units and external
- Be able to think strategically and creatively
 To have worked in a regional location. Flexibility, motivation and impact are of prime importance in determining success in this role.

A generous banking package commensurate with qualifications and experience is available. To apply, please send a covering letter and CV, quoting nef-2205 for the Response Management Team, Associates in Advertising (AIA), 5 St. John's Lane, London ECIM 48H Closing date: 5th August 1998. Applications will only be sent to this client, but please indicate any organisation to which your details should not be forwarded.

Leading us investment san O.T.C. FX SAUES

A position has arisen for a motivated individual who will have an established history in OTC FX Sales, and proficiency in pricing OTC FX products.

The candidate should have a broad knowledge of all foreign exchange derivatives. European languages

Applications should be sent to: Box ??? Phanca lines 🗱 One Southwark Bridge London SE1 9HL

EASTERN EUROPEAN ANALYST

Global emerging markets investment management is a key business area for Old Mutual Asset Managers. The role of Eastern European analyst has been recently created and will be a key supporting role in the fast-growing emerging markets team.

The position involves:

- Building country model portfolios through extensive company analysis.
- Working closely with the economics
- Providing input to the asset allocation committee on both sector and country decisions.

The ideal candidate

- Will be a numerate graduate. Should speak one or more Eastern
- European languages. May have some work experience in financial markets.
- tinancial markets. Should have an understanding of
- Eastern European culture.

The company

 Old Mutual Asset Managers is the UK subsidiary of a major international financial services group with over US \$50 bn under management.

Please respond in writing to: Hilary Wakefield Old Mutual Asset Managers (UK) Limited, 5th Floor, 80 Cheanside, London EC2V 6EE



COUNTRY RISK ANALYST

Emerging European and African Markets & Excellent

This leading international bank has a strategic commitment to developing its emerging markets business founded on the highest quality research and analysis.

Head a core team of 4/6 country risk

- and industry analysts. Deliver high quality, strategic research • and analysis to marketing and credit
- Guide strategic business development through ongoing refinement of risk evaluation.
- Accomplished leadership and
 - communication skills. Seasoned analyst with 3-5 years proven experience with a bank, supranational, or rating agency.
 - Commanding technical skills encompassing full spectrum of credit scoring and modeling.

Please send a full CV & Current salary details to **K.P.M Search Consultants** 2-4 Botolph Alley London EC3R 8DR



For the attention of: Martin Davies & Roger Parker komsearch@aol.com Fax: +44 (0) 171 929 3808 Tel: +44 (0) 171 929 8100

ACCOUNTANCY APPOINTMENTS

Fixed Income Product Control

Tokyo

Our client is one of the world's premier investment banking organisations, headquartered in New York and with operations worldwide. Due to the repositioning of their Asian business, they are seeking a high calibre professional to manage the Fixed Income Product Control function for the Asian region, to be based in Tokyo.

Reporting to the Capital Markets Product Controller in Tokyo, this position presents an excellent opportunity for a professional, experienced candidate to manage and add value to this function across the region.

Supporting the Fixed Income business from a financial perspective, the individual will have managerial responsibility for daily profit and loss production, analytical and risk reporting surrounding this and monthly reporting on this business area.

Candidates should have a thorough knowledge of the fixed income markets from a product control perspective, have strong technical skills with extensive experience within foreign banking and brokerage industry. Particular product skills will include a strong knowledge of fixed income derivatives and capital markets generally.

The individual will be a strong manager and be diplomatic in dealing with the cultural issues which may arise in such a position. Most importantly though, the candidate must have excellent interpersonal skills, a high level of professionalism and be able to liaise confidently at all levels within the company and on an international scale.

The person must be committed to being in Tokyo and developing the business there for a significant period of time.

\$ Excellent Package

The ability to speak Japanese fluently would be an advantage, however, more important is the candidate's commitment to the Tokyo operation on a longer term basis, which is essential.

Interested candidates should forward their curriculum vitae in confidence to James Rushworth at Michael Page International, 50 Cannon Street, London EC4N 6JJ, fax 0171 329 3426, telephone 0171 269 1848 or e-mail: jamesrushworth@michaelpage.com

Michael Page

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Committed to quality, speed and creativity

Outstanding opportunities with the world leader

GE Capital is the world's largest and most successful diversified financial services company, generating more than 40% of GEs total global revenues. Forecasting European earnings in excess of \$1billion by the year 2000, GF Capital acquired 30 European businesses during 1997, maintaining a consistent annual growth rate of more than 20%.

GE Capital's performance is fuelled by an unvielding commutment to GE's core values, including an open, dynamic culture that encourages quality, speed, creativity and a hatred of bureaucracy. Its meritocractic environment provides an exceptional learning opportunity where success is rewarded both financially and by rapid promotion and individuals are able to move across business and functional boundaries to develop their career internationally.

One of GE Capital's fastest-growing European businesses, Consolidated Financial Insurance (CFI) provides niche insurance services, capturing more ** than 40% of the UK market since it was founded in 1994. Committed to GE's drive for Six Sigma quality, CFFs continued growth has created a number of opportunities for highly-motivated finance professionals keen to pursue a career within GF.

Senior Financial Analyst

Working closely with business leaders, reviewing product and operating performance, leading strategic reviews and quality projects. London-based, requiring leadership skills and a professional finance qualification combined with 2 years' commercial experience.

Financial Controller, Germany

A high-profile role, central to the success of CFI's developing German business Working closely with operational and sales teams, developing the systems necessary for winning and retaining business and dealing with reporting, forecasting and hadgeting issues. Fluency in German and English essential.

Operational Finance/Process Improvement Qualified Accountant required for finance role requiring a change-orientated mindset and the ability to initiate, lead and drive finance-related quality

projects within CFI. Based at the European Centre in London but working on a pan-European basis. Substantial travel.

Financial Analyst

Newly recently qualified ACA or equivalent. Providing analysis and accounting support to the Controller and senior management on a range of financial, systems and quality projects as well as the provision of monthly linancial information. London based,

UK and Germany

Candidates for all these positions should possess excellent technical and communication skills. In particular, they must be open to change, committed to excellence and possess high levels of energy, ambition and enthusiasm. In return, the potential rewards in GE's global meritocracy are constanting. Success in these roles could lead to exceptional career opportunities anywhe within GE's global operations.

To apply please post or fax your CV quoting ref: 290, giving details of current salary package, to our retained consults: 95 Fetter Lane, London EC4A 1EP. Fax (+44) 171 242 3560. For more information please call (+44) 171 242 9191 (weekdays) or (+44) 1488 477457 or (+44) 171 624 5683 (evenings and weekends). Any CV sent direct to GE Capital will be forwarded to Alderwick Consulting Ltd.



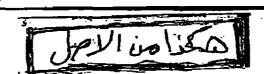
GE Capital Consolidated Financial Insurance

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FINANCE DIRECTOR

High Growth Pharmaceutical Group

Northern Home Counties Six Figure Package Our client is a global, research based pharmaceutical company which has experienced a period of consistent, rapid growth over the last decade. It is now one of the most successful pharmaceutical groups in the world, employing over 22,000 people. The UK business is based on summiscenting, sales, distribution and marketing, across sizes that produce a revenue in excess of £400 million. The basis of its content of the content of £400 million. million. The besis of its success is the investment in new products and product development initiatives that have successfully positioned the group as market leader in some key, core categories.

THE POSITION -

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- Reporting to the MD, responsible for the finance function of the UK business including financial control, treasury, governance, planning, budgeting and contract negotiations. Manage and develop a sizeable finance team.
- As a key member of the management team of the UK business, pro-actively contribute to the future development and shaping of the operation, ensuring it executes its commercial strategy to meet its growth
- Ensure effective systems and procedures are in place to Ensure execute systems and procedures are at passes or produce timely and accurate financial and management information to assist the decision making processes. Raise the profile of the financial function, com ability to add value through the support it provides.

QUALIFICATIONS

- Candidates should have a minim qualification experience gained in leading sales and marketing led organisations that have undergone significant change and are highly rated for the pron of best practice principles. Experience of the
- pharmaceutical sector would be advantageous.
 Self-starter with drive, entiresism and commitment to deliver. Team building approach with hands-on
- management style.

 Intellectually bright with the presence and gravitas to contribute at a senior level. Commercially mature with highly developed communication and interpersonal skills.

erested candidates should write, enclosing full career and correct salary details, quoting reference 2471 to the advising consultants Julie Gilgrist or Sharon Glenaway, Consumer Division, Questor International, 3 Burlington Gardens, London WIX ILE. Tel 0171 292 8300, Fax 0171 287 5457, e-mail: gai@questorint.com



Taxation Manager

Paris

Our client is one of the largest companies in the world dedicated to providing computerised transaction processing, data communications and Information services. They continue an impressive expansion record and have undertaken a number of important acquisitions in Europe resulting in worldwide turnover approaching US\$5 billion. The global taxes team is based in the US with key personnel throughout Europe. They wish now to recruit a Tax Accountant (Manager level) to be based in the Paris office.

Reporting to the VP, international Taxes the role

- Review of tax returns prepared by French entities. Assisting in the development and implementation
- Tax planning and advisory work on transactions. Effective communication and attendance at
- of the accounting and tax systems.

management meetings.

Suitable candidates are likely to be trained accountants with 3-5 years tax experience. You should have an understanding of both French accounting procedures and of the impact of taxes internationally.

FF Excellent

The position requires excellent communication skills as well as the ability to converse fluently in French and English.

The role offers a high degree of autonomy in a dynamic business that is growing by acquisition, and offers a stimulating varied and rewarding work

If you are interested in this position please send your CV to Charles Ferguson at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN, or telephone him on +44 (0) 171 269 2244, fax +44 (0) 171 831 6662.

Michael Page

TAXATION

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Finance Director

Nr Bristol to £55,000 + Car + Benefits + Relocation

Our client, a multi-site retailer with a network of over 90 stores nationwide, is a well known household name. The business is a wholly owned subsidiary of a leading multi-national Pic and has made healthy profit. contributions to the group since it was acquired in 1979. Group turnover in 1997 was in excess of £4 billion.

Reporting to the Managing Director and, functionally, to the Divisional Finance Director your main objective will be to provide sound financial and commercial support to senior management and to maximise company profits and optimise cashflow. You will direct and lead. a 100 strong team and will be constantly striving to add value and enhance the performance of the finance area, building on existing levels of financial control and exploiting MIS capabilities.

You will manage the consolidation of half year/year-end results, assist in the business planning process and prepare financial appraisals for any new projects. The role will also encompass some general administration

A professionally qualified accountant with no less than five years post qualification experience, you will currently be based within the retailing sector and will be accustomed to a fast paced 'change' environment.

Capable of taking and influencing commercial decisions in a demanding business, you will be self confident, operationally focused and a clear communicator, at ease with building key relationships outside of finance. A proven man manager with developed coaching skills, you will have experience of guiding and managing people at all levels and will have a high degree of systems literacy.

In return, the group will provide excellent long term career progression.

interested candidates should apply in writing enclosing a curriculum vitae to Kathryn Roberts, Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL Fax 0117 927 6509, quoting reference WNTN. e-mail; kathrynroberts@michaelpage.com

Michael Page

Australia - China - Prance - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

NSPCC Head of Finance

Central London

c £40,000

The National Society for the Prevention of Cruelty to Children (NSPCC) is the UK's leading charity specialising in child protection and the prevention of cruelty to children. The NSPCC has an annual income of over £50 million and, supported by the generous efforts and contributions of thousands of people across the country, provides a wide range of services to 6,000 children every day.

The Head of Finance has a central role to play in the continued success of the NSPCC, managing a diverse range of financial activities at a time of increasing demand for child protection services and the launch of the biggest appeal in the NSPCC's history. Reporting to the Director of Finance and managing a team of 16, the main responsibilities of this key post are:

- · Playing a lead role to ensure compliance with all external reporting requirements (e.g. SORP and subsidiary companies).
- Promoting, monitoring, maintaining and improving
- fluancial management systems. Analysing and interpreting actual financial performance.
- Providing forecasts and projections to accurately Identify the implications of both current and future NSPCC strategies.
- Ensuring that effective accounting and control systems are in place.

The successful candidate will be a qualified accountant with proven experience at senior management level. Excellent interpersonal skills and the ability to manage people effectively at a time of change are essential as is a hands-on approach. An understanding of the Charities Act 1993 and SORP requirements would be

Interested candidates should write, enclosing their CV and details of current package, to Matthew Morris at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293. e-mail: matthewmorris@michaelpage.com Please quote ref 425074. The NSPCC is committed to equal opportunities. Registered Charity Number: 216401

Michael Page

Treasury Manager

FINANCE

Financial Controller

GE Power Systems is a world leader in the design, manufacture and service of gas, steam and hydroelectric turbines and generators for industrial power providers in over 119 countries.

As part of General Electric Company which generates revenues of \$90 billion and employs some 270,000 people worldwide, GE Power Systems reached record revenues in 1997 of \$7.5 billion and invested more than \$250 million in programmes, joint venumes and acquisitions to meet growing customer needs in an increasingly competitive deregulated energy industry.

GE Power Systems is supported in Europe by the Apparatus Service Division based in Basildon, a centre of excellence fully equipped to bandle the repair, service and support of GE Power Systems entire installed base of high technology power generation hardware.

As Financial Controller, reporting to the Finance Director GE Power Systems Europe, and as a leading part of the management team, responsibilities will



- Full financial control including financial planning and analysis and treasury.
- Proactively develop the relationship with
- US Headquarters.

 Deputise for Operations Manager. The ideal candidate will be a graduate-calibre qualified accountant who can demonstrate a strong commercial and operational track record combined with the ability to thrive in one of the world's largest



GE, of the United States of America, is one of the largest and most respected companies in the world. With revenues of more than \$90 billion last year, it is an international leader in each of its 12 businesses from Medical Systems and Lighting to Financial Services and Aircraft Engines. The group co-ordinates its European foreign exchange and cash management operations through a centralised Treasury in London, one of the largest operations

of its type in the country. The FX Consultancy Group was established in 1998 to provide value added strategy support to GE's European industrial businesses. Progress is excellent and we have ambinous plans for the future.

This is a high profile role interfacing with business CEO's, CFO's and Commercial Managers delivering support, guidance and recommendations on foreign exchange exposure and risk management.

The visibility of this role ensures that progression need not be limited to Treasury or mainstream Finance GE is committed to recruiting, developing and retaining the best global brains to ensure its success in the 21st century. This job is an excellent opportunity for a successful 'A' player to join us.

Suitable applicants will be graduates with appropriate professional qualifications and a minimum of three years treasury or banking experience. Key personal characteristics will include a passion for excellence, self-confidence with good communication skills, leadership and the state of the Whilst a second European language would be an advantage it is the strength of personal that will differentiate the successful and date.

If you are interested in this position, please either telephone our advise, MEL Parage in 077 1869 2255 or write to him enclosing a 1860 V to Michael Para Treasury, Page 1860 V 10 Parage in 1860 V 10 Parage



FINANCE DIRECTOR

c. £100,000 plus bonus and benefits

SURREY

Established in the mid 1980's, our clients' growth can only be described as explosive. Now a publicly traded Fortune 500 company, it is the world's largest supplier of non-production goods and services to many of the world's leading multi-ational corporations. Having completed in excess of 250 acquisitions, the company now boasts animal revenues multi-ational corporations. Having completed in excess of 250 acquisitions, the company now boasts animal revenues of 540n+, operating in over 700 locations in 10 countries. The UK operations were established in 1996 and have grown of 540n+, operating in over 700 locations into a single quality driven business and now require a commercial finance the process of integrating the operations into a single quality driven business and now require a commercial finance professional to play a pivotal role in the further development of the group.

The Position

- Reporting to UK Managing Director, quickly become seen as the second-in-charge of the UK operations, with functional report to the Executive Vice President, Finance in the US.
- Develop and retain a 'world-class' finance team, ensuring the company's finance strategy supports its business objectives.
- Play a lead role in further developing IT as a
- On a broader scale, act as an 'agent of change' and contribute to the orgoing commercial developmen of the UK operations.
- Develop and improve all aspects of financial control, management reporting, budgeting, tressury and totation.
- The Requirements Graduate calibre, customer focused ACA with a minimum of 10-12 years' industrial experience in
 - a product based organisation. Demonstrable leadership skills. Capable at both strategic and operational levels with a passion for improving business and its processes.
 - Commercially astute, customer oriented and decisive.
 - essing sound business judgement. Skilled in managing change, both in the focus of the accounting function and the perception thereof within the organisation.
 - Resourcefulness and flexibility harnessed to a healthy work ethic and a 'can-do' mentality.

Places send your CV with current salary details to: Devid Burton, K/F Selection, 252 Regent Street, Landon WIR 6HL quoting ref. 05584A/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kis-loodon@conferry.comInternet Home Page: http://www.kiselectio

FINANCIAL DIRECTOR

FTSE Top 20 PLC

Salary £100,000+, Bonus, Excellent Benefits & Generous Share Options

For a multi £100 millions, fast growing subsidiary of a top PLC with a reputation for excellence.

 THE TASK is to provide a commercial perspective to the operating board whilst managing fast growth and the acquisition and integration of companies. The responsibility is to run the sizeable finance and credit departments efficiently and professionally and to produce management. and financial information with crystal clarity and great accuracy.

 THE REQUIREMENT is for a qualified accountant, preferably from a blue chip business-tobusiness environment, who can demonstrate commercial, managerial and financial success. A self starter with energy, commitment and excellent interpersonal, negotiating and planning skills is essential. The ability and ambition to run a business in a few years would be an

Write in confidence, enclosing a Curriculum Vitae and details of current remuneration package, quoting ref: 78578 to:

TYZACK

TYZACK SZIECTION, 8 HALLAM STREET, LONDON WIN 6DJ. FAX: 0171 631 5317. E-mait tyzack-selection@accordgroup.co.u

Substantial £ six figure

salary + bonus & options

Global Media Group

London

Chief Financial Officer

Exceptional opportunity to join a market-leading Nasdaq-listed global media company with a market capitalisation of some 5750 million. Pivotal role at the strategic and commercial heart of a business, headquartered in London, which is active worldwide. Working closely with the Chairman and CEO of this dynamic group, providing first-class financial support for further rapid growth.

THE ROLE Reporting to the Chief Executive, playing a key business and commercial leadership role within the top team of the group.

Making a significant input to group strategy; handling integration issues from past and future acquisitions; providing first-class communications with the external financial community.

Directly responsible for a small central finance team and fully accountable for the functional quality and performance of the finance teams in each business

Leeds 0113 230 7774

London 0171 298 3333

Manchester 0161 499 1700

Please raply with full details to: Selector Europa, Ref. TJV/26986-4/78, 16 Connaught Place,

THE QUALIFICATIONS An accountant or MBA with first-class intellect who has run an exemplary finance function, preferably in a divisionalised structure with autonomous business

units. Familiarity with US GAAP an advantage. International commercial and strategic experience including the USA and Continental Europe, ideally from an industry built on intellectual property and creative skills. First-class communicator inside and

The cultural fit is vital: informal, entrepreneurial, non-bureaucratic and non-hierarchical. A true team player with a strong and robust personality, capable of thriving in a fast-changing and exciting entrepreneur.

Selector Europe Spencer Stuart

Extend our success across the Channel

European Accountant

£35k - £45k + excellent benefits

City

Hiscox is one of the most respected and successful insurance groups at Lloyd's. We have a gross premium income of over £440 million and an outstanding reputation. To build on these advantages, we are expanding into Europe and need you to take responsibility for the financial accounting of our new offices in Paris, Munich and Amsterdam.

Reporting to our Financial Controller, you will prepare the offices' statutory accounts and regulatory returns, and take the lead in developing and maintaining our Sun Accounts general ledger systems, which cover expenses budgeting, recording and monitoring procedures. There will also be some fascinating project work.

If you are a results-oriented Accountant, you will relish this opportunity to make your presence felt. The tight deadlines you will often work to, call for flexibility, selfdiscipline and close attention to detail. You must be qualified and have a strong financial accounting background encompassing a good knowledge of G/L systems, financial modelling and reporting using MS office or a similar system. If you have general insurance

experience then so much the better. It would also, obviously, be an advantage if you were fluent in French, German or Durch, especially as you will regularly travel to all three of European offices.

As you would expect, we are offering excellent rewards. They include BUPA, a non-contributory pension plan, free sports club membership and a discretionary bonus.

So, if you are ready to extend your success across the Channel with us, please send your CV and current salary details, plus a hand-written covering letter to Sally Collinson, Human Resources Department, Hiscox Insurance Company Ltd., 52 Leadenhall Street, London EC3A 2BJ. The closing date is Friday 24th July 1998.



INSURANCE COMPANY

FINANCE DIRECTOR OUTSTANDING MBO OPPORTUNITY

RAPIDLY EXPANDING RETAILER

C£70,000 + CAR + SIGNIFICANT EQUITY STAKE

NORTH WEST

Our client is a successful, rapidly expanding and highly profitable discount retailer operating in the North West. Continuing growth and ambitious expansion plans have created the need for an articulate, highly professional, clearly focused Finance Director who can join the Board and help achieve flotation within three years.

The role has a broad commercial remit including responsibility for IT strategies together with the development of rigorous financial controls and reporting sy stems. You will work c Chief Executive and the other members of the management team in planning and developing the business both organically and through new store openings and acquisitions.

Your ambition and enthusiasm will supplement first class communication skills, professionalism

and integrity. Adept and confident in managing change, you will be a qualified accountant, probably mid 30's upwards and you must possess an exceptional record of achievement in a retail or trading environment ideally with a major household name. Experience of corporate finance would be a further advantage.

This exceptional opportunity provides excellent career prospects and, by including a significant stake in the equity of the company, the potential exists for considerable capital growth.

To apply, please send your CV in confidence quoting reference 7070 to Stuart W J Adamson FCA at Adamson & Partners Limited, 10 Lisbon Square, Leeds LS1 4LY, Tel: +44 (0) 113 245 1212. Fax: +44 (0) 113 242 0802.

ADAMSON & PARTNERS

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MANAGEMENT TEAM

Attractive Package

SECURITIES INDUSTRY OPPORTUNITIES

A rapidly growing and prestigious subsidiary of a leading Wall Street Investment Bank with an enviable record of achievement based upon unrivalled customer service is looking to increase its management team. The organisation is the pre-eminent UK supplier of brokerage and investment management services to institutional and private client stockbrokers; undertakes nearly 14% of the transactions on the London Stock Exchange; provides PEP administration, nominee, stock lending and discount brokerage facilities.

Opportunities now exist for 3 dynamic individuals. You should be organised and disciplined, have a good in-depth knowledge of the financial services industry, proven inter-personnel skills and an ability for practical problem solving. First class control and management reporting skills are essential.

- MANAGER DIVIDENDS. Responsible for processing dividends for a large number of clients. The ability to create and maintain an efficient and controlled environment through strong leadership and technical skills is paramount.
- MANAGER UK SETTLEMENTS. Primarily CREST settlement. A leading department within its field wishes to further improve performance through enhanced procedures, controls and leadership.
- MANAGER CLIENT LEDGER CONTROL. Accountancy background could be advantageous. Innovative with strong analytical skills and the ability to oversee project development.

If you believe you can contribute to the profitable and controlled growth of our business, please write and explain how you meet our requirements and enclose a CV that highlights your relevant achievements. Applications should be addressed to:

Box A6180, Financial Times, One Southwark Bridge, London SE1 9HL

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Financial Times



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Finance Director

Internal promotion provides a superb opportunity to join this well-regarded £3 billion FTSE quitinational as Finance Director of the Construction Chemicals business, a highly profitable international £135 million turnover business targeted for rapid growth. High profile commercial role on the multicultural management committee of a service-led industrial business. Excellent group career opportunities.

- THE ROLE Report to the Managing Director and a key member of the Executive team making an active and broad contribution to the strategy and development of the business.
- Provide direction and advice to the 27 operating companies worldwide with close links to the group, in particular corporate treasury, IT and supply chain functions.
- Key member of the Executive team with responsibility for the identification, evaluation, completion and integration of international acquisitions.

Analytical ability and commercial acumen to interpret trends and issues in a service and supply chain-led business. Experience of dealing with

THE QUALIFICATIONS

The presence and authority to lead and communicate at all levels, within different cultures and with dear potential for career

included operating company and transnational experience.

Graduate accountant, mid 30s, technically excellent with a fast-track career progression in a progressive blue-chip multinational which has

Leeds 0113 230 7774 London 0171 298 3333 Manchester 0161 499 1700

Selector Europe Spencer Stuart

Please reply with full details to: Selector Europe, Red. PHR/20328-1/78, Gledstone House, Redvers Closa, Lawnswood Park, Leeds LS16 6QY

£50,000+ Car

+ Benefits



Central ::

London

IT Audit Manager

and highly entrepreneurial.

EMI Music is one of the world's leading music groups with a truly global spread of businesses and an outstanding portfolio of superstar recording artists including Blur, Radiohead and Robbie Williams. The group is now highly focused with a dynamic management team committed to maintaining the group's market position in the world-wide music business. The company culture is fast-paced, competitive

The London based head office is now seeking to appoint an exceptional IT professional to its corporate audit team. Reporting to the Senior Director of Internal Audit, USA and Worldwide Information Technology, the role has primary responsibility to provide the business with candid, objective and accurate reporting of the status of IT controls and system development projects worldwide, including thorough detailed analyses and specific impact driven, value-added recommendations. The role will span all business activities and provide exposure to the company's worldwide operations, with up to 75% international iravel.

The opportunity will appeal to an outstanding graduate IT professional possessing an MBA/CISA or other finance/accountancy qualification. Candidates should exhibit a good working knowledge of AS/400, UNIX, Client Server and LAN technologies. Essential attributes include the ability to liaise with senior management coupled with outstanding verbal, written and presentation skills. The successful candidate will also be required to demonstrate strong analytical and problem solving skills, the intellectual capacity to generate, absorb and apply new ideas and the ability to execute practical business solutions. Applicants must be capable of working within a creative/artistic environment and have a hands-on, relaxed but professional style.

In addition to an attractive basic salary. benefits will include a company car, Central London parking and and a large company benefits package. This is an outstanding opportunity to develop an international business career with a world class company.

Interested applicants should write to or telephone, in the strictest confidence, David Craig or Justin Dünner at Walker Hamilt Executive Selection, forwarding a brief résumé quoting reference DC4635.



WALKER HAMILL

03-105 Jermyn Stree

Setting standards in analytical science

Finance Director

Negotiable salary & equity potential

LGC is the UK's lead research and consultancy to clients in the private and public sector. Following an MBO in 1996, the company has exciting plans for growth from its current £20M. pa tomover.

We are seeking a commercially focused Finance Director to join an experienced Board and enthusiastic and able management team. Reporting to. and working closely with, the Chief Executive, your key tasks will include:

- · providing board level expertise, analysis and guidance on all financial. corporate planning and acquisition issues;
- liaising with institutional investors, managing banking relationships, taking responsibility for legal, tax and contractual issues and overseeing compliance with corporate governance standards;
- ensuring that the finance function responds to the needs of this rapidly developing group through provision of timely information on which to base business decisions.

Candidates should be of graduate calibre, with an accounting qualification and have had experience at, or near, board level. Used to working with professionals, preferably in a technology-based company, you will lead in the culture change process involved in the rapid expansion of a science-based service organisation which was previously part of government.

Essential personal qualities will include energy and enthusiasm with strong leadership and motivational skills. This is a key appointment and will appeal to individuals who wish to contribute to the rapid development of a dynamic company and to obtain an equity stake in it.

Please send a full CV with a cover letter to the Chief Executive. Dr Richard Worswick, at the address opposite or direct fax: 0181 977 0741. LGC is an equal opportunities employer.

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Our client is a US based market leader in the provision of financial, management reporting, enterprise budgeting and performance measurement analytic software applications.

As part of their continuing programme of expansion, they now seek a number of experienced finance professionals to work as Pre-Sales Business Consultants directly with clients in the UK, and based in London, internationally, via a network of distributors worldwide.

London

up to £70,000

package

Key responsibilities will include:

To provide consultancy expertise to enhance clients' business processes
 To support the sales teams to ensure effective delivery of software solutions

 To build and deliver customised demonstrations to exceed the expectations of clients To represent the company and its distributors at specific national and international

These roles offer a genuine opportunity to enter the IT industry at a senior level. You will be a qualified accountant, and have gained a minimum of five years' commercial accountancy experience in a large corporate environment with multiple cost centres. You will be highly technically literate, and have developed excellent verbal, written and formal pres You will also be able to demonstrate proven experience of influencing clients.

The roles working with distributors will provide a significant opportunity for international travel.

Interested candidates should write with full CV, quoting current rewards package to Sean Quinn, Technology Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AX, Tel: 0171 970 9600, Fax: 0171 936 3974, E-Mail: hb@psd.co.uk quoting ref: LSQ/17598/FT.

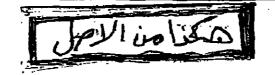
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Executive Search and Selection



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Coca Cola Beverages plo

INTERNATIONAL OPERATIONAL REVIEW

BASED IN VIENNA

Coca-Cola is the world's most powerful brand. A billion servings of its products are consumed each day in 192 countries around the globe.

Coca-Cola Beverages (CCB) is the newly formed anchor border for Central and Eastern Europe. It will form part of the FISE 250 index later this mouth when it flows on the London

As part of their innovative growth strategy, CCB is now looking to recruit exceptional mee professionals for their Vienna based Operational Review function, These highly sercial entry-level roles will incorporate a significant amount of travel and provide a nique insight to the Eastern European market place.

With exposure to the whole business, it is no surprise that senior management refer to his opportunity as an 'MBA in Coca-Cola'. The organisation will be looking to individuals within this highly visible group to form the basis of their future Financial and

Opportunities currently exist for ambitious accountants with up to four years t-qualification experience, ideally gained in either operational consultancy, internal audit or a "Big Six" firm. Strong presentation, analytical and communication skills in combination with cultural flexibility and a drive for results are essential for these high

£ EXCEPTIONAL PACKAGE Fluency in a least one other European language is essential. Applications from Italian,

German, Russian and/or any Central European language speakers are particularly encouraged. If you wish to make a significant contribution to a dynamic business which is poised for rapid growth, please contact Andrew Shestopal or Janet Arnold ACA at Robert Walters Associates, 10 Bedford Street, London WCZE 9HE, Tel: 0171 915 8816. Fac: 0171 915 8714

Web: http://www.robertwalters.com

You may also apply via http://taps.com/Robert_Walters quoting reference RW123.



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ROBERT WALTERS ASSOCIATES



HEAD OF FINANCIAL REPORTING

FINANCIAL SERVICES

BIRMINGHAM

c.£75,000 + BONUS + BENEFITS

- Demanding position key to Finance function of a successful and profitable major plc within the Financial Services sector, as it rapidly moves to the next stage of its development. _ - _ _
- New role, reporting to Finance Director, to develop the total organisation's financial accounting and to create the finance infrastructure to support the changing business.
- Managing a small high quality team, the role has strong external focus with responsibility for liaison with regulators and external auditors. Will also be responsible for managing special projects including joint ventures.

Piesse apply in writing quoting reference 1678 James Thome Whitehead Scienti

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EUNDON WINDSOR ANGIEDAN BETSTELS FRANKFIET NEW YORK HONG KONG SINGAPORE SYDNEY MELBOTENE BRISBANE WELLINGTON

- Graduate qualified accountant. Proven record of success at senior level gained in a progressive, fast moving organisation within the financial services sector. Must have experience in insurance and operating within a regulated industry.
- Team oriented, capable of building credibility quickly and developing relationships at all levels both internally and externally.
- Highly energetic and motivated. Powerful intellect and innovative problem solver but pragmatic with a wealth of commonsense.



GROUP MANAGEMENT ACCOUNTING MANAGER

FINANCIAL SERVICES

SOUTH BIRMINGHAM

 New role at the centre of the Group Finance function of a successful and profitable &multibillion plc, currently undergoing significant change to give it clear market leadership within its sector of the financial services industry.

- Highly commercial position providing proactive, customer driven advice, analysis and service to the Board and throughout the Group, influencing the organisation beyond the traditional remit of the finance function.
- · Reporting to the Group Finance Director, responsible for the management of a small high quality team, and for the development of budgeting and management reporting systems appropriate to best practice performance.

Picase apply in writing quoting reference 1679

tward, 707 Warwick Road, Solibuli 891 3D4 Tel: 0121 709 0909. Fax: 0121 709 0479

c.£75,000 + BONUS + BENEFITS As a member of the senior finance team will also

contribute to the overall finance strategy. Graduate qualified accountant with experience gained in a group operating sophisticated controls and information systems. This need not be in financial services but candidates must have the flexibility to move sectors and understand the dynamics of a new industry.

- Progressive leader and manager with well developed influencing skills. Capable of quickly building rapport and reputation throughout the business.
- Preference for working within a team based organisation. Strong service ethic with high degree of commercial acumen. Able to make things happen.

Whitehead SELECTION

FINANCE ADMINISTRATION MANAGER West Africa £40k + Excellent Expatriate Package

management positions.

Our client is an international organisation with a reputation of being the premier provider of a range of services to the offshore marine markets. It now wishes to seek an ambidous entivesiastic qualified accountant to head its finance and administration function of its West African operations.

Reporting to the General Manager for West Africa, the successful candidate will be the creative provider of accurate Accountancy, Administration and i.T. solutions for the Operational Managers of the region. You will also be responsible for a small team who provide all the finance and management information for the Head Office.

As the prospective candidate, you will have had the experience of working overseas, and have a realistic understanding of the challenges that arise from working and living in harsh environments. Ideally you will have had exposure to the marine services industry or contracting and have the essential quality of being a sti

it is expected that a programme will be given Africa and embariong on a expanding organisation.

This company offers a full and compri

package which includes 80 days annual lea several recurs fights nome, transportation e Our client will be attending interviews in the UK in

July 1998, so interested applicants please reply promptly to Michael Jones at Michael Warwick Nicholls,

Ludgate House, 28 Ludgate Hill, St Pauls Square, Birmingham, England B3 IDX.



To £70,000 + bonus & benefits

Global Service Business

UK Finance Director

Restructuring and sustained rapid growth has created an opportunity for a commercial and mature finance arofassional to join the senior management team of the principal £400 million turnover UK operating company of this S5 billion international quoted group. Stretching remit to maintain and enhance the financial management infrastructure as the group builds on its market-leading position and improves margins.

Managing and developing further a sizeable and established finance team and creating a first-class costing, financial management and performance

- onitoring function Working dosely with the UK MD and Group CFO in identifying, evaluating and delivering major initiatives to enhance margins in a business with mature established clients and a highly
- Operating as a member of a close-knit team,
- serving the operationally-focused Board to ensure delivery of growth in profitability and market
- THE QUALIFICATIONS Mature and confident graduate accountant, aged 30s+ with excellent financial control, costing and project appraisal skills gained from a multi-site,
- Highly IT literate with sound commercial acumen and high energy levels. Capable of contributing to strategic debate at board level.
- First-class leadership and interpersonal skills. Pragmatic and down-to-earth with a sense of humour, able to manage and motivate a

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Phase reply with full details to: Selector Europe, Ref. TRE/11032-2/78, 16 Connaught Place, London WZ ZED



Financial Analysts

Package c£35,000 + bonus

new stores within the UK together with additional overseas expansion. The strategy of driving up sales and margins, whilst improving customer service is proceeding as planned. This has resulted in a continuous growth in turnover and profit over the last five years. To continue this success, they wish to recruit a number of analysts to aid the commercial decision-making process. The Opportunities The head office finance team in London provides the business with essential financial analysis and commercial support. Debenhams has a commitment to providing individuals with challenging commercial experience and

has a demonstrable record of recruiting high calibre individuals at this level progressing them through to senior

Debenhams offers the opportunity to develop financial and analytical skills within the fast moving retail sector. You will gain exposure to strategic planning, performance review, investment appraisal and cost/value analysis

billion, making it the UK's market leading department store. The most recently announced results had profit

before tax up by 16.3% and sales were up by more than 7.5%. Plans for the future include the opening of 16

Central London

developed analytical and restaurs, was a serior ment.

MARTIN-WARD ANDERSON. TOXBOX - MINDSOR - ST ALBANS

working directly with the line functions. The Individuals Suitable candidates will be recently qualified accountants or passed finalists with proven academic ability. Your personal qualities will be even more critical than your technical skills and you will be able to demonstrate credibility with non-financial people, commercial awareness and a flexible approach. You will also have well developed analytical and PC skills, with the determination and drive to succeed within a highly pressurised team

In return for your commitment, we offer a very competitive remuneration package including a car or car allowance, bonus up to 20%, 1-6 zone travel card, generous staff discount and a contributory pension. Debenhams is an equal opportunities employer.

For further information, please call Mark Freebalm or Charlotte Bowrey at Martin Ward Anderson on 0171 240 2233. Alternatively, send or fax your CV to them at Martin Ward Anderson, 7 Savoy Court, Strand, London WCZR OFI, fax: 0171 240 8818, or c-mail them on info@mwa.co.nk. Please quote reference 63376.

FINANCE DIRECTOR

West Midlands

to £50,000 + bonus + car

This is an exciting opportunity with a leading company providing specialist services to industry, an autonomous subsidiary of a major international group, and the marker leader within its field. With a turnover of around £55 million, it is poised for strong growth following a recent restructuring and substantial investment in systems and service delivery. Reporting to the Managing Director, you will be responsible for a medium sized finance department and will manage all accounting, performance monitoring and planning operations and play a leading role in the continuing development of an integrated business system. You will face two immediate challenges: to put in place robust financial systems and to upgrade management information flows and forecasting.

You will be ACA or ACMA qualified with around 7 years post qualification experience and will have honed your strong man-management and commercial skills in a successful, results orientated company, ideally in the business to business service sector. A concise analytical thinker, you will be a team worker with a strong resilient character and a commitment to success. Highly IT literate, you will have first class written and oral

In return you can expect a comprehensive benefits package with an annual salary of around £50,000, performance related bonus, executive car and generous holiday entitlement. More than that the position offers autonomy, responsibility and involvement along with the opportunity to build a career in a successful and progressive company.

Please write with full personal and career details, including an indication of salary, to: Tony Potter, Firbeck Associates, OSSOCIATES 5 Home Farm Court, Wortley, Sheffield S35 7DT.

The Honourable Society of Lincoln's Inn

ACCOUNTANT

Package in the region £45,000

Lincoln't has is one of the foor lines of Court. It is an unincorporated association of persons the property of which is vested in the trustees for the Society. It derives its revenue principally from its estate in the lim and its estating activities. The ion wishes to appoint an experienced qualified accomment to fill the post of Accomment by Its October 1998. The Accomment is responsible for the financial management of the Society and its associated masts and charities. The Accomment has two full time staff and one part time, and is a heat of department, working to the Under Treasurer (Chief Executive) and reporting to the Finance Committee and other financial committees of which he is secretary.

tion package will be appointed, depending on experience and qualifications and will be in the region of £45,000. the in writing including an up to date CV with details of current salary should be sent no later than 20th July 1998 ac-

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Appointments



IT BANKING

RISK MANAGEMENT AND TREASURY SYSTEMS

A leading player in the banking and finance sector is seeking to recruit talented and ambitious individuals. Recent growth combined with new initiatives have led to the creation of a

Trader Support Analysts will have at least two years' experience of working with a team, interacting with the trading and risk management areas including the development of systems or pricing, analytical support.

number of new opportunities within this organisation.

Project Managers, Business Analysts and Consultants will have an excellent understanding of the range of instruments maked in the treasury and capital markets area as well as the technology. waterns and packages implemented to support this business.

Currently with a bank, consultancy tirm or software house. you are unalved with the mides and definition of business equirements as well as the recommendation. implementation and delivery of appropriate

● Project Managers ● Business Analysts ● Consultants ● Trader Support Analysts

You will have in-depth knowledge with recent experience of

- Risk Management
- Derivatives
- Treasury & Capital Markets Securities & Fixed Income

Well qualified academically with good interpersonal skills, you

will be able to communicate effectively at all levels. A high degree of professionalism and enthusiasm with a delivery orientated approach is essential.

These positions will be well rewarded and if you are able to

meet these challenges please send your CV to Alan Summers ing reference FT0798 to: S&H Consulting Limited, Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel (0171) 481 1171. E-mail - SHConsult@aol.com

Specialist Recruitment for the Banking and Finance Sector and the Suppliers to that Sector



Recruitment Net. Works

Financial Systems Co-ordinator

Our client is one of the world's leading independent oil and gas companies with an enviable international exploration and producing portfolio. Its UK office has grown significantly due to phenomenal successes in its North African acreage. The company's first oil field began production in May this year and further developments are planned in the coming years.

They now seek to appoint a Financial Systems Co-ordinator operating as an integral member of the finance team. Responsibilities will include:

- Providing support and monitoring services for computer applications used for financial and administrative functions.
- Evaluating and selecting computer software requiring financial interface.
- Developing special reports from financial databases to support project management and other business needs.
- Installing and operating software and reporting tools and training end-users.

Ideally, candidates will have at least four years' computer systems installation, operation control and maintenance experience, in addition to a knowledge of computer programming languages, tools and databases for report generation. Expenence with accounting requirements and systems for international oil and gas operations is highly desirable as is a knowledge of software packages for end-user reporting. A degree with emphasis in accounting, finance information systems or related subjects will be an advantage, as will the ability to speak French.

This is an outstanding opportunity for someone to develop their already successful career. To find out more please submit your CV including current salary details, quoting reference MD5954, to: Jerry Goldsmith/Mark Carriban, Macmillan Davies Hodes, Salisbury House, Bluecoats, Hertford SG14 1PU. Tel: 01992 552552. Fax: 01992 505301. E-mail: coldsmrt@mdh.co.uk

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West London

Attractive

package

FIXED INCOME Quants Analyst / Developer

Our client is a leading global investment bank, market activities include a strong presence in Fixed income and Equities. A significant expansion plan and strong commitment has been applied to the development of state-of-the-art quantitative models for pricing, hedging and valuing securities and derivative instruments.

A new opportunity has been created within the Fixed Income Division, this will involve developing new systems for global pricing models and liaising extensively with sales people on the trading floor. Projects are internationally orientated, therefore these may be some travel to New York, Tokyo and Hong Kong.

Ideally, you should possess the following attributes:

- ☐ I year's commercial experience
- A good academic background (PhD would be advantageous)
- ☐ Strong C and Unix skills
- ☐ Exposure to C++

This is a superb opportunity to enhance and develop in-depth knowledge of Bonds, Futures and Options products. A strong training structure is also in place to provide personal development, IT and financial market courses. If you feel you have a proactive approach, a sense of humour and can succeed in a challenging environment, please contact our retained consultants.

If you are intersted in the above position, please contact either Jonathan Leigh or Alex Blair quoting ref 0014

INVESTMENT BANKING 17 St Helen's Place, London EC3A 6DE Tel: Fax:

0171 335 5890 0171 335 0008 job@huxley.co.uk

Business Analysts Investment Banking

CITY

To £55,000 + Banking Benefits

The leading European Investment Bank is currently searching for dedicated Business Analysts to work across a broad base of business areas within Financial Control (P&L Production). Candidates will be working closely with the production, reporting and analysis of P&L information provided to the area. Projects are essentially global and currently providing P&L reporting and analysis functionality for the Equity and Equity Derivatives product lines.

Key strategic aspects of these positions include: global systems, structured as well as OO analysis techniques and technologies including Sybase, Delphi, Business Objects, and P&L solution.

Critically, successful candidates will be directly responsible for interacting with senior business users in the tasks of defining and delivering single global P&L solution for multiple product lines. Therefore candidates should be from a true analysis background and able to assimilate and gravitate between teams on a business level. Prospective candidates should have solid business analysis experience and a keen desire to gain a thorough understanding of the tasks at hand and further their knowledge of the business of investment banking.

Ideally candidates would have a knowledge of investment Banking processes from trading and settlement to G/L accounting and P&L reporting.

Candidates would currently be working for an investment bank, securities house or a major management consultancy with first class interpersonal skills and a need to achieve.

These positions are viewed as high profile roles within Financial Control and offer attractive remuneration packages including competitive banking benefits.

Please contact Danielle Lorenz



17 St Helen's Place, London EC3A 6DE

Telephone: 0171 335 5888 Mobile: 0468 175 002 0171 335 0008 d.iorenz@huxley.co.uk

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Recruitment

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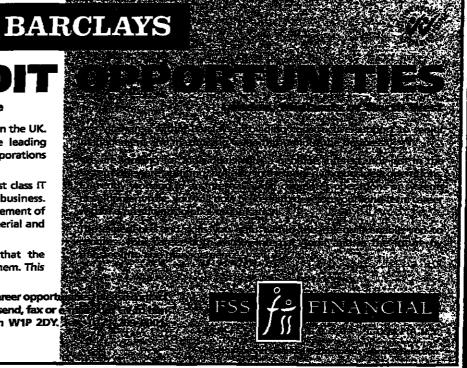
Barclays Bank Pic is one of the largest financial services groups in the UK. With operations throughout the world, we are one of the leading providers of co-ordinated global services to multinational corporations and financial institutions in the world's financial centres.

To maintain this competitive edge we continue to develop first class Π based systems that are critical to the success of our business. Consequently we have identified the need to expand our complement of systems auditors within Group Internal Audit, both at a managerial and senior auditor level and across all business areas.

You will identify risks faced by the business and ensure that the appropriate levels of controls are in place to mitigate against them. This

If you are interested in finding out more about these excellent career oppor Conan Bailey on 0171 419 0281 (evenings on 0171 394 0633) or send, fax or at PSS Financial, Charlotte House, 14 Windmill Street, London W1P 2DY. E-mail: cwb@fss.co.uk Please quote reference FT0170.

Bardays Bank PLC is an equal opportunities employer.



Field Technology Manager (Designate)

• Salary to £35,000 p.a. * benefits • Based in Kent

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If you are a graduate with at least two years experience managing customer relationships in an IT environment, we should be talking. Our Client is looking for an individual who wants to stretch their capability. The working environment is in the financial services sector and effective customer relationships are a priority.

This designate role is an exceptional opportunity to gain training and understanding of new technologies including NT, remote working and laptops. You will need to have excellent interpersonal skills, enabling you to run productive customer focus groups and workshops for

end users. Your clarity of purpose will assist you in turning feedback into action.

For the first six months you will work alongside the present manager after which you will become self-sufficient, forming a crucial link between IT and the areas of the organisation which rely on Field Technology.

To register your interest, contact the Managing Consultant, Carol Mote on +44 171 240 1040 or send your résumé quoting reference number 5M67/1163 to Morgan & Banks PLC, Edinburgh House, Windsor Road, Slough SL1 2EE. Fax: +44 1753 570009 e-mail: c.mote@morganbanks.co.uk

REGIONAL MANAGERS

OTE £100,000 + benefits

PRODUCT CONSULTANTS

to £70,000 + benefits

IPS-Sendero is the market leader in the provision of Asset/Liability and Profitability M to financial institutions worldwide. We have opportunities for Banking and Finance Professionals to make a significant contribution to our ambitious growth programme throughout Europe, the Mikdle East and Africa. Regional Managers will use their consultative sales ability to identify, develop and win new business.

Product Consultants will provide day-to-day service to existing client relationships including product training on management and conceptual advice. Both roles will involve frequent international travel.

Regional Managers will:

• be able to establish credibility with prospective clients through a thorough knowledge of Bank profitability and risk management concepts; be motivated to utilise their Banking expertise in a consultative sales environment where rewards are directly linked to personal contribution;

have outstanding interpersonal and influencing

 be Graduates with Banking experience; be fluent in English and Ideally in a second

 demonstrate a detailed understanding of solutions for Bank profitability and risk management; be able to develop and maintain relationships at a senior level throughout the client base; possess strong analytical and modelling skills; · be Graduates with several years experience in an Asset/Liability, Risk Management, Profitability Measurement or similar role; • be fluent in English and ideally be conversant in a second language.

Product Consultants will:

To apply, please write enclosing a CV to Heidi Smith at iero, Imperial House, 11-13 Young Street, Kensington, London W8 5EH.

Uternatively, fax to (44) 171 938 2752 or e-mail to



